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NEWS SUMMARY

GENERAL

Three die in Army bomb accident

Three Royal Marines were killed and two badly wounded when a bomb exploded as it left a mortar barrel during exercises at the Army's Otterburn ranges in Northumberland.

Ten others were treated by Army medical teams for minor injuries. The 9lb bomb, according to preliminary investigations, had a faulty fuse.

Old Bailey exit for The Romans

Mary Whitehouse withdrew her private prosecution against the play *The Romans in Britain*. She claimed victory after an Old Bailey judge ruled there was a case for National Theatre director Michael Bogdanov to answer under the Sexual Offences Act. His costs will be paid out of public funds.

Schmidt pressure

Chancellor Schmidt, of West Germany, is expected to press Mrs Thatcher at Chequers today to ease the way for a settlement of the EEC budget dispute.

Pay row grows

National Union of Teachers' members will step up action over pay next week because of a refusal by the management's negotiators to go to arbitration.

Shinwell decision

Lord Shinwell, 97, is to resign the Labour Whip in the upper house, but remain a party member. He said "on no account" would he join the SDP.

Israeli move

Israeli forces occupying the West Bank dissolved El Birch town council and put army officers in charge. Page 4

Haughey appeal

Irish Premier Charles Haughey said after talks in Washington with President Reagan that the U.S. should support a unified Ireland.

Polish resistance

Poland's military rulers accused opponents of organising an armed resistance movement allegedly involved in attacking soldiers, stealing arms and killing a policeman.

Police probed

A second investigation into allegations against Dorset Police is to be carried out by Yorkshire Chief Constable Sir James Brownlow.

Cancer birth

Cancer victim Anne Sinclair, 31, of Rugby, gave birth to a girl just four days before dying of the disease.

IRA supergrass

A top ranking IRA member turned supergrass has given vital information to the Royal Ulster Constabulary on crimes committed by the Provisionals.

Envoy greeted

The Queen received the diplomatic credentials of Archbishop Bruno Heim, the first Papal ambassador to Britain.

Gold for Silver

Silver buck beat stable companion Bregawn to win the Cheltenham Gold Cup. Favourite Night Nurse was pulled up. Racing. Page 16

Briefly . . .

Thanksgiving service for Lord Butler's life and work will be held in Westminster Abbey on April 5.

Sir David McNei, Metropolitan Police Commissioner, is to retire in October. Page 5

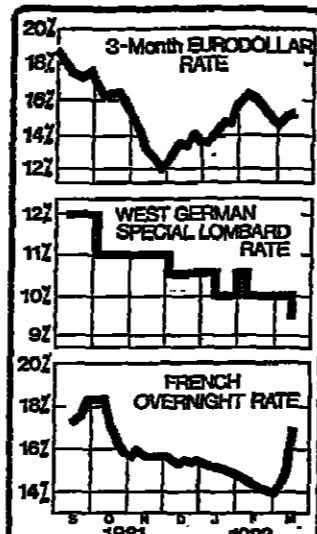
TV newsreader Jan Leeming will present the Eurovision Song contest from Harrogate on April 24.

Evangelist Billy Graham will return to England in 1984 to preach in five cities. Page 2

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

	RISES	FALLS
Treas 12pc 1985	5801 + 5	
Amersham	183 + 5	
Assd Leisure	100 + 11	
Barratt Devs	265 + 6	
Capsules	50 + 5	
Dunlop	75 + 4	
Eurotherm	374 + 9	
Farnell Elect	640 + 20	
GEC	820 + 10	
GKN	163 + 3	
Hunday & Palmer	90 + 7	
Imperial Group	801 + 24	
L'pool Daily Post	160 + 6	
Marks and Spencer	146 + 4	
Midland Bank	265 + 8	
Plessey	378 + 6	
Steatley	181 + 5	
Elystan	442 + 34	
Buffal	151 + 11	
Coms Gold Fields	370 + 12	
Conn Murdoch	240 + 15	
GM Mrs Kalgoorlie	190 + 10	
Harkbeest	119 + 13	
Libman	635 + 55	
Poseidon	83 + 4	
Vaal Reefs	221 + 15	
Beijan	135 - 4	
Holden (A)	176 - 4	
Sale Tilney	212 - 11	
Turner and Newall	73 - 4	
Bond Corp	70 - 12	



Franc falls sharply against interest move

THE FRENCH franc came under sustained pressure in European foreign exchange markets yesterday, despite heavy intervention by the Bank of France and a 2-point increase in its money market intervention rate to 17 per cent, said Foreign and Financial Staff writer.

The French authorities' efforts to defend the currency contrasted with a concession move by the West German, Swiss and Dutch central banks which all cut their interest rates by half a percentage point.

The German "special Lombard rate" was cut from 10 to 9½ per cent. That, and the Dutch and Swiss rates cut, was seen as a further effort to free European interest rates and monetary policies from the unsatisfactory influence of U.S. rates.

rate

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rate

EUROPEAN NEWS

France's trade deficit falls in February

BY TERRY DODSWORTH IN PARIS

FURTHER speculation against the French franc coincided with earlier indications that the annual total could reach FF 80bn (£7.34bn) this year. February trade figures showing a distinct improvement over January.

The Trade Ministry described the seasonally adjusted deficit of FF 5.3bn (£486m) as "globally favourable." By comparison, the deficit in January reached FF 7.1bn (£651m) although last February it stood at only FF 2.8bn (£256m).

Part of the improvement last month was due to a cut in oil imports, along with a more effective containment of textile imports, which grew very rapidly last year. Foreign consumer and household goods sales, however, continued at a high rate. On the export side, France marked up a healthy performance in the processed food sector, with a surplus of FF 1.6bn and in capital goods (FF 3bn).

Officials said that the trade deficit should continue to run at around a rate of FF 6bn a month, a figure which conforms

Farmers' leader expects 100,000 in Paris protest

BY DAVID WHITE IN PARIS

FRENCH FARMERS are stepping up pressure on the Mitterrand Government in the midst of the European Community dispute over a new EEC price package.

M François Guillaume, head of the giant FNSEA farmers' union, yesterday announced plans for an "unprecedented" demonstration in Paris next Tuesday. He said he expected 100,000 to take part.

The demonstration, the climax to months of smaller-scale protests over farmers' declining living standards, coincides with a scheduled meeting of foreign ministers in Brussels.

M Guillaume made his announcement after President François Mitterrand promised at the weekly cabinet meeting to defend the interests of the country's farmers "resolutely and with doggedness."

Commission confirms aid to Belgian steel giant

BRUSSELS — The European Commission yesterday confirmed a \$470m (£260m) aid package for the loss-making Belgian steel company, Cockerill-Sambre. But the Commission at the same time reiterated its rejection of the company's overall modernisation plan.

It was Brussels' refusal to accept the modernisation plan which prompted a strike, now in its fourth week, and a series of protests by steelworkers determined to avoid new job losses.

The Belgian Government had requested approval from the Commission to spend some \$630m on Cockerill-Sambre to accomplish a five-year restructuring plan worked out last year.

Although these figures confirm the recent slowdown in price rises, they remain high compared with inflation in most other Western industrialised nations, and particularly West Germany, France's main trading partner.

It is also widely feared that

the price index could be hit

this month and next by

increases in publicly-controlled

tariffs for the gas, electricity

and railway industries.

A spokesman said yesterday

that the aid approved

was for investments which

the Commission believes will

improve viability and should

not assist contested elements

of the plan—in particular the

construction of a new continuous

casting mill at Liège.

Giles Merritt adds: In the wake of violent clashes in Brussels earlier this week between 10,000 Cockerill-Sambre steelworkers and riot police squads, the Socialist FGTSB union, with its power base in the steel and engineering industries of French-speaking Wallonia, has called a general strike for March 26.

At the same time, the leading CSC Christian Union has decided to match the Socialists' 24-hour shutdown with a mass march of some 100,000 people on Brussels the following day. The FGTSB action is being seen as a challenge to the Government's authority, and seeks to widen the union's confrontation over steel to other sectors, while the CSC protest is against recent proposals for slashing social security payments.

The announcement of the two-pronged union action coincides with the announcement that Belgium's oilless total has risen to 453,000.

The charges, backed by

Geneva talks: slow progress as gap persists

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

AFTER four months of talks in Geneva, the U.S. and the Soviet Union are still far from reaching an agreement to limit nuclear weapons in Europe.

The two nuclear super-powers opened negotiations on so-called theatre nuclear weapons on November 30. This week, they have gone into recess for two months, having agreed neither on the negotiating method to follow nor on the fundamental issue of which weapons should be reduced and by how much.

Senior U.S. officials believe

that contrary to appearances, however, progress has been made in the 24 sessions held so far. They insist that both they and the Russians seriously want an agreement. They still hope

that an accord will be achieved by late 1983, the deadline set for the deployment of new U.S. Cruise and Pershing nuclear missiles in Europe.

The fact that the arms talks have been taking place in Geneva (even though both sides have so far respected the rules of confidentiality) has

helped calm anti-nuclear pressure within Nato, five of whose European members have agreed to deploy 464 U.S. Cruise and 108 Pershing missiles from 1983.

European governments nevertheless remain worried that any sign or failure in Geneva could reactivate domestic pressure. They believe that the Soviet Union, in its latest offer to freeze European nuclear weapons at present levels, is designed as a propaganda move to deepen the divisions between Europe and the U.S.

A moratorium on theatre or intermediate range nuclear weapons in Europe, it is understood has been part of Soviet strategy at Geneva since last November. The Russian delegation, led by Mr Yuli Kvitsinsky, made it clear from the outset that Moscow wanted both sides to declare a moratorium or freeze on existing weapons. It suggested that both sides should sign a statement of intent to reduce weapons further, and should then proceed to negotiate a full-blown treaty.

The U.S. team, however, under

the leadership of veteran arms negotiator Paul Nitze, early on submitted a draft treaty for negotiation. The two methods are not seen as necessarily mutually exclusive, but have certainly not been reconciled once agreement has been reached on the land-based missiles.

Meanwhile, on the fundamental issues of which weapons should be reduced and by how much, the two sides seem as far apart as ever.

The Russians are reported to

be upset that President Reagan

stole the high ground" with

his so-called "zero option."

The U.S. draft treaty is believed to

have embodied this; it calls for

the phased dismantling of all

Soviet SS-20 and the older SS-4

and SS-5 missiles, both east and

west of the Urals. In return,

the U.S. would not deploy (or would

begin) the U.S. Cruise and

Pershing missiles in Europe.

The U.S. maintains that its

Cruise and Pershing missiles are necessary to

balance the greater numbers of

Soviet land-based missiles,

Western criticism is reserved for the end result of the Soviet proposals. These are for a reduction in two phases over the next eight years which would leave both sides with 300 systems each.

Thus would leave the Nato side with the French and British nuclear weapons (in Soviet calculations more than two-thirds of the total) and with a reduced number of U.S. aircraft.

The Soviet reductions would not touch most Soviet nuclear-capable aircraft and would leave their most modern land-based system intact at the present deployment of 500.

Western diplomats say there is as yet no sign of an official fall-back position on either side. U.S. officials maintain that the zero option stands, while they say that the Soviet Union is obviously keen to get an agreement on its own terms. Only if that proves impossible will there be a strategy switch, they say. But they maintain that four months is too soon for either side to have to make that kind of move.

Soviet meat and milk output down

By David Buchan

MEAT AND MILK production in the Soviet Union fell 5 per cent in the first two months of this year compared to the same period of 1981, the official Economic Gazette reported.

The decline reflects feed grain shortages following the third successive poor harvest in the Soviet Union, despite continuing heavy Soviet purchases of grain, amounting to 13.6 million tonnes since last October. The meat position is likely to remain critical at least until livestock can be put out to pasture in the summer and the 1982 harvest comes round.

Meat production in January and February this year reached 2.55m tonnes, a rate well below that called for in the 1981-85 central plan, which foresees an average 17.17m tonnes a year. President Ronald Reagan has so far refused to consider a grain embargo as a sanction against the Soviet Union for its involvement in the martial law crackdown in Poland.

Moscow has yet to publish a figure for last year's grain harvest, leading to speculation that it was so bad as to be embarrassing to the Soviet leadership.

Striking chemical workers disrupt Italian city

BY JAMES BUXTON IN ROME

STRIKING CHEMICAL workers yesterday blocked access to the port and other strategic points in the southern Italian city of Brindisi as part of continuing protests against plans for large-scale sackings by the Montedison chemical concern.

The Milan-based company, which is making heavy losses, appears to be standing firm in its determination to sack 1,700 workers at four production centres. The largest number of jobs would be lost at Brindisi.

The sacking notices are due to go out today.

On Wednesday, the Govern-

ment broke off talks with Montedison on restructuring of the chemical industry as a result of Montedison's refusal to heed its pleas to stop the sackings. In the past few days Brindisi, the main port for traffic between Italy and Greece, has been partially paralysed by different forms of action by chemical workers.

Yesterday, they prevented the opening of banks and the central post office, as well as blocking ferry traffic. The Government fears the situation could deteriorate into a serious breakdown of order.

Montedison claims that the sackings, which follow the laying-off of around 7,000 workers

for months on a transfer of plants between the public and private sectors of the chemical industry. It has been expected that ENI would concentrate more on basic chemicals and Montedison on higher value secondary products.

Montedison had hoped to gain up to £500m from ENI for the transfer of plant, especially in southern Italy. But it argues that the sacking programme is an essential strategy that has nothing to do with the longer term restructuring.

Parliament may debate gangland allegations

BY RUPERT CORNWELL IN ROME

THE ITALIAN Parliament is likely to hold a debate on allegations that two Government ministers last year visited a jailed Naples underworld leader to secure his aid in channelling a £1.5bn (£830,000) ransom to Red Brigades terrorist for the release of Sig Ciro Cirillo, a local Christian Democrat politician.

The episode has provoked a bitter row between Italy's two biggest parties. Although it is

unlikely to lead to immediate repercussions for the five-party coalition in Rome, it seems certain to provoke the collapse of the minority Communist-led city government in Naples.

In retaliation at the Communist attack, the Christian Democrats have withdrawn their support for the municipal administration of Sig Maurizio Valenz, the Communist mayor. A new round of local elections

this summer in Naples are now a strong possibility.

It has emerged since Sig Cirillo's release last July that a ransom was paid. But the Christian Democrats, who refused to deal with the Red Brigades in 1978 when they held Sig Aldo Moro, the late Prime Minister, have insisted all along that only Sig Cirillo's family and close local political associates were involved.

Stronger dollar helps industry in Scandinavia to compete against U.S.

BY ANDREW FISHER IN HELSINKI

NORTH AMERICA's cost advantage over Scandinavia in the pulp and paper industry has been deeply eroded by the rise in the value of the dollar, delegates were told yesterday on the second day of a Financial Times conference in Helsinki.

Mr George Boyd, Vice President of Kidder Peabody, the New York investment house, said the strengthening of the dollar had dramatically improved the competitive cost position of Scandinavian market pulp mills against North America over the last 18 months.

He was speaking at the European Pulp and Paper in the 80s conference, organised by the Financial Times in co-operation with Helsingin Sanomat, the Finnish newspaper.

Total costs, excluding transport, appeared to be lowest in Brazil, about equal in the various parts of North America and somewhat higher in Scandinavia than in North America, he added.

But the transport differential eliminated the differences between North America and Scandinavia. "In fact, some sources indicate total markets pulp manufacturing costs are currently lower in Scandinavia than in North America," he added.

Mr Boyd said Scandinavian producers clearly had a considerable advantage over mills in North America and Brazil in the cost of transporting pulp to Western Europe. Scandinavian companies appeared to have a transport cost advantage of \$30-40 a tonne.

As for wood costs, the average cost per tonne of market pulp in the U.S. is estimated at \$110—slightly more in Canada—compared with around \$175 in Scandinavia. The cost in Brazil is \$40-45 a tonne, he said.

Discussing energy, a major cost element, Professor Peter Odell told the conference that energy prices were likely to fall in real terms.

Professor Odell, Director of the Centre for International Energy Studies at Erasmus University, Rotterdam, said there was a 60 per cent likelihood of a continued steady decline in oil prices in real terms for the next five years or so.

There was a 25 per cent chance of prices tailing off and a 15 per cent chance that oil prices would be maintained or increased from their end-1981

value (in real terms after accounting for inflation).

In the non-Communist world he expected a low rate of increase in energy consumption this decade. Even in the Communist world, where energy had generally been used inefficiently, there were now growing pressures to reduce its use.

Thus overall demand for oil was unlikely to grow very much, if at all. As for oil supplies, he saw no possibility of scarcities arising in the 1980s or 1990s.

Taking an opposite view of the energy scene, Mr Arild Holland, Managing Director of the Norwegian Pulp and Paper Association, said oil prices were likely to show a rising long-term trend, in actual and real (inflation-adjusted) terms.

He noted that some governments and organisations such as the International Energy Agency had been trying to promote the use of wood and biomass to replace imports of fossil fuel, especially oil.

"What really worries me is the risk that the use of biomass, stimulated by government policies, incentives and subsidies will threaten the availability of traditional raw materials for the forest industries," he commented.

Thus he thought that governments and local authorities should give more incentives for developing consumption of wood for energy without considering the possible negative effects on the forest industries. For Norway, a net exporter of oil, the problems surrounding biomass were not, however, acute.

Whereas power and heat accounted for only just over 5 per cent of the total cost of Norway's pulp and paper industry in 1973, they now make up between 20 and 25 per cent, more than manpower in some cases, Mr Holland pointed out.

He said newsprint capacity was due to be boosted in Norway by more than 50 per cent during the 1978-82 period, rising from 650,000 tonnes a year to nearly 1m tonnes.

Also dealing with the impact of currency movements on the industry, Professor Pentti Kouri of New York and Helsinki universities, said the dollar was "grossly overvalued." He expected it to fall, but declined to forecast when.

Oil prices would also drop. This would not be an "unmixed blessing," however, though it would undoubtedly be of long-term benefit for world economies. But the flow of funds onto international capital markets would be reduced, while

panies in the U.S. nearly all linked to a satellite. This makes the delivery of programmes to cable networks exceptionally efficient and inexpensive."

He felt, however, that the paper manufacturers were more interested in their own problems than in solving the problems of publishers and printers arising from these new developments.

Mr Finn Kern, Deputy Manager of the Association of Danish Newspaper Publishers, said new electronic media represented a great opportunity, but also a serious challenge to newspapers. But he thought most publishers felt newspapers would easily overcome the problems of the decade.

Ann Burdis, Senior Vice-President and Director of Strategic Planning at the media public Group of Companies of New York, dealt with

EUROPEAN NEWS

Accident rate up in Polish minesBy Christopher Bobinski
in Warsaw

THE accident rate in Polish mines—militarised since last December's imposition of martial law—is rising rapidly, reflecting a continuing willingness by management to report the sort of incidents which in pre-Solidarity days would have been concealed.

So far this year, there have been 14 deaths in the country's mines, and a total of 5,642 accidents have been reported.

The figures were announced in parliament yesterday by the Minister for Mines, General Czeslaw Piotrowski, who also emphasised, however, that output this year had risen by some 14 per cent.

Last year—when Solidarity was still functioning and miners and management were encouraged to report anything going wrong in their sections—the number of mining accidents rose by 100 per cent from 11,200 in 1980 to 22,300.

Output last year in Polish mines fell by 16 per cent, as the working week was cut from six days to five and more liberal working practices were followed. The drop in production was accompanied by a fall in the number of fatal accidents, from the 1980 total of 127 to last year's figure of 89.

A leading Polish Party Politburo member, Mr Kazimierz Barcikowski, speaking in Krakow, has meanwhile admitted that the Party leadership "sees the need for a quick resumption of trade union activity."

The statement came at a Party meeting where, according to the published account, speakers said that many problems could be resolved more easily with the return of trade unions. But neither this account for a document produced by the Central Committee department responsible for union policy provides any indication that the authorities envisage a return to the old-style Solidarity nor any kind of meaningful return to the union's interned leadership.

Uncertainty yesterday still surrounded the question of whether the interned leader of Solidarity, Mr Lech Walesa, would be permitted to attend the christening of his baby daughter in Gdansk on Sunday. Both his wife, Danuta, and Father Henryk Jankowski, his parish priest, seemed pessimistic about the prospects.

W. German company finances easing says Bundesbank

BY STEWART FLEMING IN FRANKFURT

THE FINANCIAL resilience of the West German corporate sector began to improve in the second half of last year following two years during which corporate profits have been coming under increasing pressure.

This is the conclusion reached by the Bundesbank in an analysis of the performance of the economy and the development of corporate profits in the second half of 1981 contained in its monthly report for March.

The report is released today in the wake of the decision by

the Bundesbank Council yesterday to take another step in the direction of easing its monetary policy by dropping its "special Lombard" rate, the rate it charges banks for overnight funds, from 10 per cent to 9.5 per cent.

The cut in the Lombard rate was welcomed by industrialists and bankers. It was seen as a further sign of the central bank's willingness to try to ease interest rates down to help revive the still stagnating economy, even in the face of continued uncertainty about the

outlook for dollar interest rates and the problems this creates for the D-Mark.

The cautious half a percentage point cut in the Lombard rate will be a disappointment for those, in particular the trade unions, who have been hoping for bolder steps from the central bank. These hopes had increased in the past two weeks following signs that this year's wage round will result in moderate wage increases below the current rate of inflation.

This week, however, the easier trend in West German

credit market interest rates has been translated into further cuts in the cost of money, not just to the banks, but also to their customers.

Thus, at the beginning of the week Deutsche Bank, the largest West German commercial bank disclosed that it was cutting consumer credit interest rates by between half and a full percentage point. The cost of a four-year personal loan for example has been reduced from 16.24 per cent to 15.32 per cent. Through most of last year the rate was 17.15 per

cent. Short-term business loan charges are also falling in response to recent declines in rates in the credit markets.

Other banks have been following suit and also cutting interest rates.

In its monthly report, the Bundesbank makes it clear that the improving financial position of companies is partly the result of signs that the profits fall may have bottomed out. It is also a reflection of the efforts the companies have been making both to cut back on stocks and curb investment in order to

Portuguese seamen again on strike

By Diana Smith in Lisbon

PORTUGAL'S merchant navy has gone on strike for three days. It will affect all 96 vessels of the Portuguese fleet and incur losses estimated at \$5.7m.

The seamen's strike, one of several in the past year, follows hard on the heels of a 18-day train drivers' stoppage that lost the crippled railway system \$400,000 a day.

The Communist party and its tied trade union confederation, CGTP-Intersindical, have vowed to keep up labour pressure until the Government falls. The merchant seamen's repeated strikes are seen as part of this pattern: they have lost many badly-needed orders for national shipping companies and seriously undermined international confidence in the fleet.

The Prime Minister, Sr Francisco Pinto Balsemao, meanwhile is spending two days in Athens learning how Greece has adjusted to European Community membership. Sr Balsemao has made a marathon tour of EEC capitals since the beginning of the year, in the hope of rallying support for Portugal's speedy accession.

If the Christian Democrats and Christian Socialists were wholly united in the desire to bring down the Government quickly, then their chance of success would be quite good, but an early change in Bonn would not be welcome to several key opposition figures.

Dr Helmut Kohl, the CDU leader, would almost certainly become Chancellor if the SPD-FDP were to be toppled in the next year or so, but he has his rivals, who could strengthen his position by doing well in provincial elections. One is Dr Ernst Albrecht, Premier of Lower Saxony, who is looking for a boost from Sunday's polling.

Another is Dr Gerhard Stoltenberg, Premier of Schleswig Holstein, where elections are due next year. Last but not least, there is the ubiquitous Herr Straus, who seems certain to consolidate his power in Bavaria this autumn.

The four organisers and the radical Basque nationalist coalition Herri Batasuna were fined Pta 5m each as bearing responsibility for incidents at the rally in San Sebastian on March 7.

An explosion on Wednesday night wrecked a power transformer near San Sebastian owned by Iberduero. The company is the target of a bombing campaign by Basque guerrillas opposed to a nuclear power separator group.

Reuter.

Bonn coalition drifts into a dangerous mood

BY JONATHAN CARR IN BONN



MORE THAN 500 people in Lower Saxony go to the polls on Sunday in the first West German state parliament election since the general election of October, 1980.

The result is expected not only to give an important pointer to the level of public support for Chancellor Helmut Schmidt's sorely-strained Social Democrat (SPD)-Liberal Free Democrat (FDP) coalition in Bonn. It should also show whether "the Greens," the small ecological party, can consolidate its success in recent municipal elections.



His recent efforts to appear more open to alliance with the Christian Democrats, however, immediately brought a revolt from his own left wing. Herr Genscher is famed as a political tactician. But even he finds it hard to master a situation in which cautious movement either to the political left or right immediately loses him support at the other end.

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Reuter.

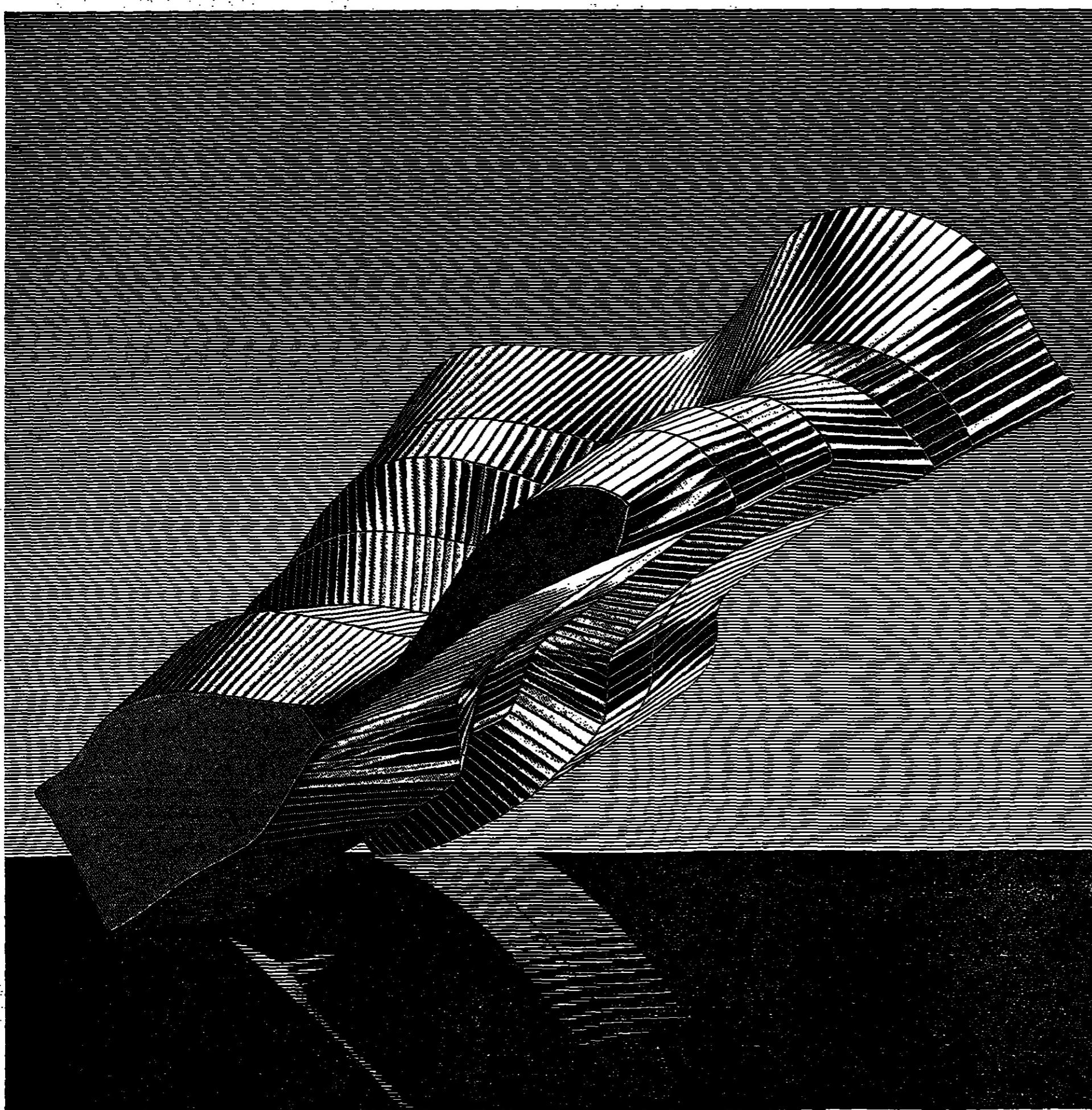
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OVERSEAS NEWS

Saudis face pressure to cut oil output

By Richard Johns in Vienna

SAUDI ARABIA will come under intense pressure at the emergency meeting of the Organisation of Petroleum Exporting Countries (Opec) starting here today, to lower still further its output ceiling, as the only means of maintaining the price structure of the producers' association.

Whether or not the Kingdom is prepared to cut its maximum ceiling from the 7.5m barrels a day (b/d) set nearly two weeks ago, to a minimum of 6m b/d, the prospects of an effective agreement being reached are very poor, according to members of the first delegations to arrive here.

An Opec total target of 18.5m b/d, involving a national reduction from a supposed level of 20m b/d was set tentatively at an informal gathering of seven Oil Ministers—those of the seven Arab members, Nigeria, and Indonesia—in Doha, Qatar on March 6. But actual output has been calculated to be as low as 18.2m b/d in the early part of this month.

Dr Mana al Otaiba, the United Arab Emirates Minister of Oil and current Opec President, frankly admitted the problem yesterday. He said: "I think we will have to look for a lower figure than 18.5m b/d. We are willing to go all the way," he said, to cut production to defend the \$34 reference price, which was established only three months ago, at Opec's last ordinary conference in Abu Dhabi.

Failure to agree on a significant Saudi production cut could result in Nigeria, whose foreign exchange reserves have slipped to a dangerously low level, and whose oil production has begun to fall ominously again, breaking ranks and cutting its price. It now charges \$36.50 a barrel compared with the \$31 being charged by the British National Oil Corporation for North Sea crude, Nigeria's main competitor.

There has been speculation—but no confirmation—that Saudi Arabia has undertaken to support Nigeria with soft-term loans until the market has been brought into some kind of equilibrium.

Sen. Humberto Calderon Berti, the Venezuelan Energy Minister, said he did not believe that the 13 members could reach a "formal decision."

J. D. F. Jones in Johannesburg reports on the debate over changes to the apartheid system

South African society conducts a dialogue of the deaf

OUTSIDERS sometimes seem to believe that political thinking in South Africa is rigid, as well as reactionary, that apartheid is unchanging and unchangeable. They are wrong, and one proof is that the country is today going through a ferment of debate in which the very fundamentals of society are being questioned.

The ruling National Party is this month in convulsions over whether, or how, to share white-power with the coloured people (of mixed race) and Indians. The Government's own President Council will next month produce proposals for a restructuring of the constitution; the "Buthelezi Commission," set up by the leaders of the largest legal black political organisation, last week published a far-reaching report calling for black-white power-sharing in the province of Natal; and every politician worthy of the name has a private blueprint for a new system which, somehow, might bring harmony to this deeply-divided nation.

The trouble is that it is a dialogue of the deaf. The Government, for instance, rejected the Buthelezi Commission's proposals out of hand. The Right wing of the National Party has split, rather than accept its own Prime Minister's definition of "healthy power-sharing." The President's Council is boycotted by the white opposition Progressive Federal Party (PFP)—and anyone has no brief from the 20m black majority.

Moreover, it is a debate which is lopsided from the start, for it is taking place only in officially-sanctioned institutions and parties: the illegal but



Dr. Treurnicht (left) and Mr. Botha . . . split over power-sharing plan.

undoubtedly popular African National Congress (ANC), and the loosely-organised black consciousness leaders, will talk only about universal suffrage in a unitary state.

The text for the latest debate on the political system for the coloured and Indian communities comes from a Cabinet committee that was set up in 1977, under the chairmanship of the present Premier, Mr. P. W. Botha.

At the time the National Party Government, confident that it had firmly established the apartheid system for the blacks—who were to be content with a network of tribal homelands—could turn to the issue that had worried all morally-minded Afrikaners since separate development was first dreamed up: where to fit in the 2.5m coloured people who, as the mixed-race

descendants of the Afrikaners, palpably did not have their own territorial homeland.

The 1977 committee thrashed out a plan under which, in the words of the Survey of the Institute of Race Relations:

"The white, Indian and coloured minorities will each have their own parliament, which will legislate on matters pertaining exclusively to the group concerned, for example education and housing."

"Matters of mutual concern will be dealt with by a Council of Cabinets in which all three racial groups will be represented, legislation being adopted by consensus wherever possible. Ultimate power will be with an elected Executive State President."

"The principle of proportional representation will be applied in regard to the membership of all the new

bodies to be created, using the ratio four white : two coloured : one Asian." The Council of Cabinets will be composed of the three Prime Ministers and other Cabinet Ministers from each parliament, their numbers to be determined in accordance with this ratio." The whites thereby maintain a majority.

The Prime Minister and his supporters are now arguing, with what looks like justification, that Dr Andries Treurnicht and his Rightwing rebels are being disingenuous when they say that they never realised the 1977 proposals implied power-sharing with other communities.

The struggle has been conducted in full public view, with the Prime Minister having to issue statements insisting that this species of power-sharing is logical, that it does not jeopardise self-determination, and—Heaven forbid—that it has nothing in common with the opposition PFP policy of power-sharing (since that presupposes a unitary, if federal South African state).

To the outsider, this begins to sound like medieval talk of angels dancing on the point of a pin—and, of course, the Afrikaners are a theologically-minded people. But it matters enormously, because it will decide whether the Prime Minister has the power, and the will, to introduce reform policies in South Africa.

Next month the President's Council, an advisory body which has succeeded the senate, is to come up with constitutional proposals relating in the first instance to regional and local government.

The Prime Minister has pro-

Kaunda wants to meet Botha

PRESIDENT Kenneth Kaunda of Zambia has told the Johannesburg Star newspaper that he would like to meet Mr P. W. Botha, the South African Prime Minister, and his Cabinet to discuss "potentially explosive" developments in southern Africa. Subjects for discussion should include independence for Namibia and racial tensions in South Africa, Dr Kaunda said. He would meet the South Africans anywhere "as long as it is not a hidden meeting."

Trade pact extended, Page 6

supreme in his own territory, ie outside the black "nation-state."

This is where the Buthelezi Commission has interrupted the argument. This high-powered multiracial commission, which included politicians, academics and businessmen such as Mr Harry Oppenheimer, unanimously rejected the official homeland policy and, looking specifically at Natal, argued for a close relationship of the territories covered by the white-ruled province and chief Gatscha Buthelezi's Zulu state.

Power-sharing is again the answer—but this time it must be between white and black in a non-racial regional authority with a joint executive and a joint legislature though still as part of an overall South African state.

Not surprisingly, these ideas are anathema to Mr Botha, as they are to Dr Treurnicht. They have also been rejected by the NRP, which governs the province.

But they are still part of the great debate, along with a proposal by the distinguished Pretoria economist, Professor Jan Lombard, which ruled against the viability of KwaZulu, and the Quail Commission on the Ciskei, which amounted to a formidable dismissal of the homeland policy.

As evidence of black impatience mounts, it seems to many moderates that power-sharing offers the best half-way house towards a more permanent and more desirable South African system.

To Mr Botha's national party, of course, it offers the ultimate point towards which the whites could move.

Second Indian state government resigns

By K. K. Sharma in New Delhi

PRIME MINISTER Indira Gandhi's Congress (I) Party was joined again yesterday when, for the second successive day, a state government it had formed was forced to resign.

Mr Keshab Chandra Gogoi,

Congress (I) Chief Minister of Assam, resigned before a no-confidence motion against his Government could be taken up by the legislature.

The Congress (I)-led coalition in the southern state of Kerala resigned on Wednesday after it lost its majority and President's Rule (direct rule from New Delhi) was imposed. President's Rule has also now been imposed on Assam, which has been affected by a statewide students' agitation for over two years.

The students are seeking the expansion of "foreigner"—mostly immigrants from Bangladesh and Indians from West Bengal—from Assam on the grounds that their culture is threatened and they are losing job opportunities.

The agitation led to the loss of 3m tonnes of crude oil in 1979-80. The Assam and Kerala developments underscore the crisis in Mrs Gandhi's Congress (I) Party. It is sharply divided and dispirited in a number of states where elections should be held in the next few months, for this reason, the party is trying to delay the elections.

The problem is particularly acute for the party in the Marxist-ruled state of West Bengal, where the term of the legislature expires in June. The Chief Minister, Mr Jayoti Basu, has sought early elections to prevent Mrs Gandhi from imposing President's Rule in the state.

This would give Congress (I) an advantage because the Marxists would then not be in power. The ruling party has the advantage in elections of being able to use the Government apparatus, or at least prevent its opponents from doing so.

The Congress (I), which is hopelessly divided in West Bengal, is challenging the validity of the electoral rolls before the Supreme Court.

Japan interest rates may move

BY RICHARD C. HANSON IN TOKYO

JAPANESE long-term interest rates, which are strictly controlled by the Finance Ministry, may be lowered in the next few weeks to give the economy a much-needed psychological boost. But the Government is unlikely to approve anything more than a very small decline to avoid weakening the yen or disrupting the bond market.

Officials have been encouraged by a recent improvement in bond market prices. From early this month, yields on the secondary market have slipped below that of issuing yields on long-term government bonds.

underwriters protesting about the large gap between secondary market yields and the government's issue price.

A further decline in interest rates would run the risk of undermining the yen which has been weakened mainly by the large gap between Japanese and U.S. interest rates. It could also trigger another fall in bond market prices.

The Government at present has no plans to lower the short-term official discount rate (currently set at 5.5 per cent) as a means of stimulating the economy.

Israelis replace W. Bank mayor

BY DAVID LENNON IN TEL AVIV

ISRAEL yesterday dismissed the elected mayor and municipal council of the West Bank town of El-Bireh because of its refusal to co-operate with the "civilian" administrator recently appointed to replace the military governor.

The move was also seen as a response to the Jordanian threats against the Israeli-sponsored village leagues which are being set up to challenge the authority among the Palestinians of the nationalist mayors of the West Bank.

Protests and demonstrations erupted across the occupied

territory as news spread of the Israeli decision to replace the El-Bireh mayor by an Israeli army officer. Strikes were declared in a number of towns.

The West Bank mayors, who were elected in 1976, fear that this is the first step by Israel

towards removing all of them so that it can eventually bring forward the leaders of the village leagues as representatives of the Palestinians in the negotiations for granting the West Bank and Gaza Strip limited autonomy.

The outspoken West Bank mayors have already suffered a number of blows. In the past two years the mayors of Hebron and Halhoul have been deported, and the mayors of Nablus and Ramallah were severely injured by car bombs, believed to have been the work of Jewish extremists.

Mayor Ibrahim Tawil of El-Bireh, who narrowly escaped injury from a car bomb 18 months ago said as he was being marched out of his office yesterday that regardless of the actions of the Israeli authorities, the people of his town would still regard him as mayor.

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AMERICAN NEWS

Promoter buys back world's biggest circus

BY PAUL BETTS IN NEW YORK

MR IRVIN FELD, the music promoter, and his son Thomas have bought back for \$22.5m (£12.6m) in cash the Ringling Brothers and Barnum and Bailey Circus from Mattel, the U.S. toy and children's books company.

Mr Feld, who helped bring the Beatles and Rolling Stones to the U.S. and managed singer Paul Anka in the 1950s, has been with the circus since 1956. He bought it from John Ringling North and his heirs in 1967, and then sold it to Mattel in 1971. He has been negotiating for some time to buy back the circus—the biggest in the world.

One of his aides said yesterday Mr Feld felt a circus should be in the hands of a family and not of a corporation," she said.

Mattel said it had decided to sell the circus company to Ringling Brothers' senior management, or to Mr Feld, who continued to manage the troupe after selling it to Mattel. The company wants to concentrate in its main businesses, including traditional toys, electronic games for adults, children books and hobby products.

The deal involves, in addition to the two separate travelling circus troupes, the entertainment company's ice follies and holiday on ice subsidiary. Mattel, through Ringling Brothers, acquired the ice in 1979.

Mattel also owns the Ringling Brothers—Barnum and Bailey Circus World near Disneyworld in Orlando, Florida. This is the only circus—orientated theme park in the world. It opened in 1974. The theme park is not part of the deal which has been progressively saturating on these assets.

It has recently been seeking to build up a large presence in the electronic game market as well as venturing into cable television and the home computer market. But its electronic games and home entertainment video system have made heavy weather in the current economic slump and an electronics game market which has been progressively stepped forward.

These were only the most

WHEN Vere Harmsworth's Associated Newspaper Group closed down Soho News this week it was a sad moment for readers of the New York counter-culture weekly. It was also another heavy blow for the United States' fast-shrinking newspaper industry, which has seen four major daily newspapers disappear in the last nine months and could see another big closure before spring is over.

The second half of last year was especially bad for the industry. In July, the Washington Star, the capital's afternoon newspaper, folded leaving the market to its sole competitor the Washington Post. Time Inc., the magazine group which bought it in 1978, lost US\$85m (£47m) trying to make it work, but finally threw in the towel after circulation failed to pick up and advertising fell off.

In August, the New York Daily News scrapped its evening edition called "Tonight" and left that market to Rupert Murdoch's New York Post.

Tonight was only one year old, but it had failed to win more than a tiny fraction of the advertising and readership it needed to survive.

Then, in December, the Philadelphia Journal, a morning tabloid, disappeared from the scene after losing \$10m in its brief four-year life. Clearly it did not fail because of its youth. A few days later the Philadelphia Bulletin, a venerable 134-year-old afternoon paper with four times the circulation levels, published its last edition and vanished from the streets for ever.

Even then the carnage was not over. Just before Christmas, the New York Daily News was back in the headlines when its owners, the Chicago Tribune Company, put it up for sale and strongly implied that they would shut it down if no one stepped forward.

The Philadelphia Bulletin

publicised closures. Elsewhere in the U.S. many smaller papers have been closed, sold or transformed into free sheets in what is turning out to be an especially bloody phase in the perennial shake-out of the traditional Press.

As before, the reasons are familiar ones. The Star and the Bulletin were afternoon papers whose delivery systems were choked by rush-hour traffic, and whose news was stale when it reached homes where people were watching the evening news on television.

Once a newspaper goes into decline, the economics of the business mean the stronger paper can acquire more than its share of the advertising: the Star's competitor, the formidable Washington Post, had nearly twice its circulation and more than twice its advertising revenue.

The Philadelphia Bulletin

saw its circulation dwindle from 700,000 to 405,000 until it became what one of its editors called "a dinosaur"—unable to hold itself up.

The Philadelphia Journal lost

on advertising revenue too.

"The cake had to be sliced between 35 radio stations, a dozen television stations and four daily newspapers," said its

owners, Quebecor of Montreal, bluntly illustrating the enormous competitive pressures facing both the electronic and printed media.

The New York Daily News' problems belong to a different category. With one of the largest and most loyal readerships in the country (1.5m copies a day, nearly equivalent to its two competitors combined, the Post and the Times), it would appear to enjoy an unassailable position.

The News is weighed down by the legacy of the past, however.

It is heavily overmanned, and labour costs alone take up over half of its annual revenues of \$350m. Last year it lost \$11m, and expects to lose \$30m this year.

In addition, the population

has moved to the suburbs and fierce competition from Murdoch's Post have eaten into its circulation to the extent that sales are now down by 30 per cent from their peak.

The fate of the News still hangs in the balance. Salomon Brothers, the Wall Street investors,

the labour unions, aware that they might be held to blame if the paper folds, have rallied round. The printers have voted to put 10 per cent of a pay rise due at the end of this month into a special fund to buy stock in the paper.

This is widely seen as an empty gesture. It will only yield about \$10m, a fraction of what is believed to be the asking

'First crack' in Reagan confidence

By Reginald Dale, U.S. Editor in Washington

President Ronald Reagan, whose cultivated image is one of visible unduplicability, has displayed the first sign of exasperation with his favourite medium, U.S. television.

Frustrated by the obstinate refusal of the recession to come to an end, he has resorted to the blunt play of politicians worldwide when cornered—blame the press.

In an interview with the Daily Oklahoman this week, Mr Reagan reveals what one side described as "the first crack" in his usual brimming confidence. The television networks, he said, were contributing to the delay in economic recovery by constant "downbeat" news coverage.

"You can't turn on evening news without seeing that they're going to interview someone else who has lost his job or they're outside the factory that has laid off workers or so forth—the constant downbeat—that can contribute to slowing down a new recovery that is in the offing," the President complained.

Describing television, which has so often exploited to his advantage, as "an entertainment medium looking for the eye-catching and spectacular," Mr Reagan continued: "Is it news that that some fellow out in South Succotash someplace had just been laid off that he should be interviewed nationwide?"

When a reporter asked him whether his "rightful image as a compassionate, kind generous man could be eroded by this sort of thing," Mr Reagan replied: "I think there's not only a possibility, I think they've done a pretty good job of it. I'm sorry to a lot of people and if they only knew it, I'm the softest touch they've had for a long time."

Increasingly, according to his officials, the President privately criticises what he regards as negative coverage by the press,

David Lascelles reports on the latest casualties in the U.S. press.

Carnage in newspapers' fight for survival



The closure of the New York Daily News would give the entire popular market in the city to the New York Post, owned by Mr Rupert Murdoch (above).

Calls to raise taxes 'disappoint' Reagan

BY ANATOLE KALETSKY IN WASHINGTON

PRESIDENT Ronald Reagan yesterday told a conference of U.S. manufacturers that he was "disappointed" with cuts from the business community to increase taxes. Blaming the recession on a "legacy of misguided policy," he said that raising taxes was "like feeding a strapping pup. The Government just follows you home and sits on your doorstep asking for more."

Earlier, Mr Paul Volcker, chairman of the Federal Reserve Board, said that an early resolution of the stalemate over the 1983 budget was the most urgent requirement for re-establishing confidence in the financial markets.

But as Mr Volcker was speaking to the National Association of Manufacturers here, indication grew on Capitol Hill that

Control of Fed claim

BY OUR WASHINGTON CORRESPONDENT

MR HENRY REUSS, chairman of the Congressional Joint Economic Committee, claimed yesterday that, contrary to the widely-held belief that the U.S. Federal Reserve Board is politically independent, Congress can issue it with instructions which the board of governors would be legally obliged to follow.

He said the idea that the Fed, which is responsible for the conduct of U.S. monetary policy, is "independent" is based on a constitutional confusion between the powers of the President and the Congress.

While the Fed is independent of the President, it is "the creature" of Congress and must follow congressional directives, even if these are not supported by the President, he said.

Testifying before the House of Representatives budget committee, Mr Reuss cited a long

U.S. warns on missiles for Cuba

WASHINGTON — Mr Casper Weinberger, U.S. Defense Secretary, said yesterday the Reagan Administration would not tolerate any stationing of Soviet nuclear missiles in Cuba.

Such a move would violate the U.S.-Soviet understanding that ended the 1962 Cuban missile crisis and resulted in removal of Soviet missiles from the Caribbean island, he said in a television interview.

Mr Weinberger was responding to a speech by Soviet President Leonid Brezhnev this week in which Western officials said the Kremlin leader seemed to threaten that Moscow might put missiles in Cuba if Nato deployed 572 new missiles in West Europe as planned starting late next year.

"If there is any kind of threat of that sort, I would assume we would deal with it in the same way we did in the 1960s," Mr Weinberger said.

Asked if he was specifically threatening the same kind of U.S. naval blockade of Cuba that ended the 1962 crisis, he said: "No. I'm talking about whatever would be necessary to do not to have missiles in the Cuban area."

Mr Weinberger described as obscure the warning in the Soviet leader's speech last Tuesday announcing a freeze on deployment of Soviet medium-range missiles in Europe.

"We don't know what he was talking about. It was a very obscure, ambiguous phrase."

Mr Brezhnev said that if Nato went ahead with its planned deployments, "this would compel us to take retaliatory steps that would put the other side, including the United States itself, in our territory, in an analogous position."

President Ronald Reagan said yesterday the Government had not completed its analysis of Moscow's warning that it would take "retaliatory steps" if the U.S. carried out plans to install new medium-range missiles in Europe.

"We're studying all the implications in that," Mr Reagan told reporters.

He was speaking at a White House ceremony at which he nominated new Chiefs of Staff for both the U.S. Navy and Air Force. The men are General Charles Gabriel and Admiral James Watkins respectively.

The Senate is expected to give routine approval to the nominations.

Agencies

INTERNATIONAL BIDDING

KASPERE CIA LTDA., planning expansion of their industrial units located in Pelotas, Rio Grande do Sul - Brazil, is interested in acquiring machinery and equipment for the extraction of vegetable oils. The purpose of this communication is to invite interested suppliers to present their proposals in writing to the following address:

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'When recovery comes we will be ready to support it with lending for working capital and investment'

For some time now, we have been giving special support to many of our borrowing customers, ranging from countries and multi-national corporations to small businesses and individuals'

Extracts from the statement of the Chairman, Sir Jeremy Morse, in the 1981 Report and Accounts of Lloyds Bank

1981 was a good year for Lloyds Bank. A marked improvement in operating results was partly offset by a substantial increase in provisions for bad and doubtful debts—the inevitable reflection of continuing economic difficulties around the world.

Pre-tax profits of the Group were £386 million, 33%, up on the previous year's £290 million. This percentage rise should be measured against an inflation rate of about 10% in the main countries. Current cost accounts, which make adjustments for inflation, show pre-tax profits 51%, up to £48 million.

Gains

Improved efficiency has helped us to gain market share, increase productivity and contain costs. 65% of the rise in pre-tax profits came from international banking, the improvement in Britain being masked by the down-turn in the interest rate cycle.

In some countries and industries economic conditions are almost as bad as 50 years ago, and there is no sign of early relief. Britain in particular is being jolted by a mixture of circumstances and policy, through a testing period of retrenchment and change.

Hope

The main ground for hope is the possibility that the British economy will emerge in better competitive shape for the future, particularly on the industrial side. When recovery comes, we will be ready to support it with lending for working capital and investment.

Financing worthwhile projects has always been a banker's business. In these times, banks have to be prepared to lend longer, which makes the quality of credit judgements even more crucial. Also, international projects have grown in size. By helping to win large contracts abroad, banks can contribute to the preservation of jobs in the exporting country, which in our case is most often Britain.

Support

Probability plays an important part in all this, but it is far from being the whole story. For some time now, we have been giving special support to many of our borrowing customers, ranging from countries and multi-national corporations to small businesses and individuals.

To protect our depositors against the risks that this involves, we must keep our capital position sound. At the end of 1981, the Group's total assets had risen to £27 billion and deposits to £25 billion. The ratio of this latter figure to total capital and reserves was 11.5 to 1, and to free capital (which excludes capital tied up in premises and equipment, and in investments that cannot be quickly realised) was 19.5 to 1.

These ratios are satisfactory, but they would have been better by a full point if 1981's retained profits had not been reduced by £25 million through the ill-judged special levy imposed on United Kingdom banks.

Copies of the 1981 Report and Accounts are obtainable from the Secretary, Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

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UK NEWS

Banks fear effects of tax credit restriction plans

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE British Bankers' Association, which represents British and foreign banks in London, is expected to write to Sir Geoffrey Howe, the Chancellor, to express its anxiety about plans to limit tax credits available in Britain on international banking business. The proposals were announced in last week's Budget.

The letter is to warn the Chancellor that the introduction of such measures could damage long-standing relationships with international customers, and have far-reaching repercussions for the image of British banks abroad.

At stake are credits against corporation tax estimated by the Inland Revenue at £20m a year. These are allowed as offsets against interest withholding tax paid abroad, and may, in special cases, be claimed even though the foreign government has waived its right to levy tax on loan interest.

A draft of the letter will be considered at an executive committee meeting of the association next Wednesday and, if endorsed by the meeting, will be sent to the Chancellor.

It will deal with the political implications of the proposals, rather than technical taxation issues. "The real anxiety," one banker said yesterday, "is that any fundamental change will affect our competitive position, particularly vis-à-vis U.S.

Another controversy surrounds the case of Brazil, where borrowers frequently pay with holding tax on behalf of the lending bank. The bank receives a receipt for the tax paid and claims a tax credit in Britain, but the Brazilian Government later rebates the tax to the borrower.

The Revenue argues that arrangements such as these allow banks to collect more than their fair share of tax credits. It claims that these can sometimes exceed a bank's profits in international business.

A particularly controversial element of the current system is the so-called tax spared loans. In these cases, the British Government has undertaken, under

double taxation treaties, to allow the tax credit even though the foreign government does not levy withholding tax.

Malaysia, whose trade and economic relations with Britain have recently been at a very low ebb, is a frequent beneficiary of such loans.

City bankers fear that any change in the current regulations would force them to renegotiate terms of loans which currently allow them to benefit from the tax credits. Such an alteration of loan conditions is provided for in the loan contracts if UK legislation changes during the life of a transaction, but bankers say that it is bound to alienate the borrowers concerned, leading to the loss of other business, such as export finance.

The Revenue argues that arrangements such as these allow banks to collect more than their fair share of tax credits. It claims that these can sometimes exceed a bank's profits in international business.

The banks say, however, that the new credit system enhances the value of the City as an international financial centre, as well as promoting investment in the developing world.

Revenue's share of taxation falls

BY ROSEN PAULLEY

THE Inland Revenue's contribution to total central government taxation fell for the fifth successive year in 1980-81, when it reached 55.2 per cent, the lowest level since the Second World War.

If the National Insurance Surcharge, which is collected through the PAYE machinery, is added, the 1980-81 figure becomes 60.9 per cent compared with 61.7 per cent in 1979-80 and 63.4 per cent in 1977-78, the first year of the surcharge.

Of the remaining 38.1 per cent of central government taxes in 1980-81, 36.8 per cent came from customs and excise revenue and 2.3 per cent from motor vehicle duties.

Within the Inland Revenue figures for 1980-81, income tax fell to 40.7 per cent of the total tax revenue—its lowest level since 1973-74 and well down on the 1975-76 peak of 53.4 per cent. It is expected to have fallen to 40 per cent in 1981-82.

The proportion of the yield accounted for by Corporation Tax in 1980-81 was down at 7.8

per cent. The estimate for 1981-82 is 6.5 per cent.

In cash terms, the Inland Revenue collected £35bn in 1980-81, an increase of £4.8bn or 17 per cent over 1979-80. The increase is due mainly to increased receipts of income tax and petroleum revenue tax.

The cost of collecting taxes, meanwhile, jumped from £533m in 1979-80 to £651m in 1980-81, an increase of 22 per cent. The service was hit by some enormous rises—telephone costs up 54.6 per cent, postage costs up 30 per cent, legal, cleaning and miscellanea up 21.5 per cent, travelling and removal expenses up 18.5 per cent, and computers and other capital expenditure up 8.7 per cent. Only printing and stationery showed a cut in costs—4.5 per cent.

The latest Inland Revenue Report contains only two paragraphs about the computerisation of the PAYE system, which is raising public and parliamentary disquiet because of the slowness of the changeover. Concerns were raised by comments by Sir Lawrence

Airey, Inland Revenue Board chairman, that a new system of local income tax, dependent on fully computerised PAYE, is not feasible much before the end of the decade.

Earlier this week, the Association of Metropolitan Authorities told a House of Commons select committee that Sir Lawrence's claim should be subjected to an independent investigation.

The report says the Civil Service strike caused a 25 per cent cut in the flow of receipts. By the end of the strike there was a backlog of about £5bn, relating mainly to PAYE income tax and National Insurance contributions and surcharge. The Revenue hopes to have cleared most of the shortfall by the end of the current financial year.

The number of staff employed by the Inland Revenue fell by 3.4 per cent from 78,312 to 75,624 between March 1980 and March 1981. By December 1981, it had fallen a further 3 per cent to 73,328. The Revenue employed 85,175 in 1978.

Report of the Commissioners of Her Majesty's Inland Revenue for the year ended March 31 1981; Cmd 8514; SO £4.55.

Private sector 'should assist NHS'

BY GARETH GRIFFITHS

BRITAIN'S private medical sector should share the burden of more difficult health care problems, such as the old and the mentally handicapped, as a condition of registration by district health authorities.

This suggestion comes in a paper published this week on the relationship between the National Health Service and private medicine, by Birmingham University's Health Services Management Centre. The authors, Mr Philip Chubb, Mr Smart Haywood and Professor Paul Torrens, say the private sector in Britain has an importance of proportion greater than its size warrants.

Three broad policies are put forward to prevent Britain becoming two nations in

standards of health care. First, the Department of Health and Social Security should develop a national standard for pay and working conditions for both sectors, and the private sector should be encouraged to put greater emphasis on training.

Secondly, private health insurance schemes should be monitored to ensure the private sector is run economically. The monitoring body should try to develop more cost effective forms of health insurance coverage.

Thirdly, strong emphasis should be placed on the balanced development of medical equipment. The study suggests setting up a unit similar to the Technology Assessment Office at the U.S. Congress to examine

the economic implications of new technology.

The report says interdependence between the NHS and the private sector is inevitable, and that policy within the health service should recognise this. No government could afford to transfer private health care to the NHS.

Policy Considerations for the National Health Service in dealing with the expansion of the private sector. Occasional Paper 42. Price £2. Health Services Management Centre University of Birmingham, Park House, 40 Edgbaston Park Road, Birmingham.

ARMCO FINANCIAL SERVICES EUROPE is to restructure its London market operation from April 5. Mr Derrick A. Bailey will be director of the North American specialist division. Mr George Felton will be director of the UK and international division. Mr Pieter Van Nek will be director for the MARLEY GROUP.

Mr C. Openshaw has been appointed a director of Wallington Weston and Co. and Copy Toners. Mr R. D. Burrows has been appointed a director of Marley Foam. Mr M. C. Mozo has been appointed a director of British Moulded Fibre. The companies are in the MARLEY GROUP.

Mr Richard Hornby has been appointed a non-executive director of CADBURY SCHWEPPES.

Mr Mervin D. Ismail and Mr John Patrias have been appointed directors of BIRMINGHAM BROADCASTING.

Mr A. H. J. Brook has been appointed managing director of BODDINGTONS BREWERIES.

Mr Don Anderson, formerly area director, Guildford area, has been appointed area director at NATIONAL WESTMINSTER BANKS' outer city area office.

He succeeds Mr Frank Bradley who has retired.

Sir Guy Fison, recently chairman of Saccott and Speed International, has joined Whitehead Mann as non-executive director.

Mrs Penny Powell has been appointed director in charge of a new division specialising in management consulting and assessment.

Lindustries, a division of Hanson Trust, has appointed Mr Basil Jefferies as managing director of WILLIAM WARNE.

Mr W. Trevor Robinson, senior vice-president and general

Delta opens doors for design testing

By Lorne Barling

SOME OF the world's most modern computer-aided design and manufacturing (CAD/CAM) equipment, in operation at Delta Computer Aided Engineering in Birmingham, has been made available for trial purposes to UK companies through a Department of Industry scheme.

Delta's equipment, similar to that which the Government is encouraging the industry to use, has greatly increased the company's efficiency in some areas, notably the design and manufacture of small batches of components and those which require complex contours.

Under the scheme other companies can use the equipment at Delta to gain practical experience and assess its suitability for other applications.

For £10 a half-day visit to Delta to provide an outline of the system is offered, while "hands-on" experience under skilled supervision is available at £100 per terminal per day.

In addition, demonstrations by the centre's staff of the applications of CAD/CAM in the production of a company's own drawings and products are available at £100 per man day.

The company is the second of five practical experience centres being set up through the department. The first was the Machine Tool Industry Research Association, run in conjunction with Manchester University.

Others will be the British Ship Research Association at Wallsend, Tyne and Wear; the Computer-Aided Design Centre at Cambridge; and the National Engineering Laboratory, East Kilbride.

Officers go to battle on war pay

Raymond Snoddy on the PoWs fight for financial justice

ing powers. When it was decided not to do so, full refunds should have been made," Capt Bracken says.

One former PoW, Mr Jesse Beaumont "Monty" Bissell who spent four years in Colditz and made the German uniform that helped the late Mr Alcey Neave to escape, says he received no refund at all.

He is fighting a guerrilla action for eight former Colditz prisoners against the MoD. Unlike Captain Bracken's group, he does not believe in "parties" with the opposition. "They surely don't imagine the Colditz men are going to give up," says Monty Bissell, 65.

The Parliamentary working group, which investigated the complaints under the chairmanship of Mr Geoffrey Pattle, an under secretary for defence, concluded that the authorities were aware that pay varied.

Adjustments were made to officers' accounts as the war proceeded, although it was admitted, "We can never know for certain how effective this procedure was."

A total of £500,000 of 1945 money (about £5m today) was paid out to former RAF PoWs, which does indicate a system that was working tolerably well."

The Ministry of Defence, meanwhile, says new evidence to disprove a working party's conclusions has not been produced.

a member of a voluntary committee representing about 400 out of a total of 9,000 British officers held prisoners in the Public Record Office.

Tony is weapons in a campaign for financial "justice" waged by former British officer prisoners of war held by the Germans and Italians.

The group claims that on average the British Government refunded only 50-60 per cent of the roughly £1.8m deducted from their pay in the UK while they were behind barbed wire.

Captain Bracken believes the shortfall amounts to more than £5m at current prices.

Capt. Bracken's talks with (Ministry officials) are without commitment on either side and are aimed at trying to establish a common base of agreed facts.

They follow an inquiry by a parliamentary working group, set up in 1980, which concluded that there was no case for reopening the matter. But, for three months there has been a bombardment of questions in the House of Commons and the Lords.

"We are not going to give up, because we believe we have a just cause," said Capt Bracken.

Agreements to transfer credits home, Capt Bracken argues, were not reached until

U.S. shoemaker brings jobs boost to steel town

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A FACTORY is being opened in the UK by New Balance Shoes, a U.S. specialist running shoe manufacturer. The plant, in Workington, Cumbria, will provide 93 jobs initially, and is expected to expand fairly quickly. It is the company's first in Britain.

The £500,000 investment in the UK is being supported by government grants totalling £120,000, which includes training grants.

The project also qualifies for a low-interest £95,000 loan from the European Coal and Steel Community because it is providing jobs in a town affected by steel closures.

Mr Jim Davis, founder and president of New Balance Shoes, will be chairman of New Balance (UK).

The £500,000 investment in the UK is being supported by government grants totalling £120,000, which includes training grants.

Brasher, the journalist and former athlete whose Fleetfoot shoes are imported. I am delighted that they will now be made here." The factory will be able to employ trained people made redundant by the closure of the K Shoes factory in the area.

New Balance has five other factories—three in the U.S., one in Canada and one in Ireland. The company plans to make 2,500-5,000 pairs of shoes a week at Workington.

The State of Maryland, U.S.A., would like to put a little temptation in the way of British business.

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Every Marylander will welcome you.

You will not be the first to try it; already more than 100 European companies have come for the carrot... and stayed on for the greens.

For more information about how to set up business in our state, contact Robert Viehweger at the State's Office in Brussels. Telephone: 010/32.2/539.03.00 or telex 64317 Mareur b.

Or simply fill in the coupon, attach it to your company letterhead, and send it to the address shown.

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UK NEWS

McNee will retire from Met. police in October

By Lisa Wood

SIR David McNee, the Metropolitan Police Commissioner, is to retire in October, the Home Office announced yesterday.

The announcement comes after considerable speculation about whether Sir David, who is 56, would extend his five year appointment, which he took up in March 1977.

It was disclosed yesterday that Mr William Whitelaw, the Home Secretary, asked Sir David last October to stay for a further term, but Sir David agreed to stay only until October this year.

In a statement he said: "When appointed in March 1977 I agreed to serve five years. By October next I will have done that and more. Last autumn, when discussing my retirement date with the Home Secretary, from whom I have always had the fullest help and support, I was honoured and flattered when he asked me to serve for a further term."

No further details have been given by Sir David who is to give a Press conference nearer the date of his retirement. Police commissioners officially retire at 60 but can continue until 62 by extension of their terms of office.

Sir David won the nickname of "The Hammer" while in Glasgow, where he served as Chief Constable of Strathclyde until 1977. He succeeded Sir Robert Mark as head of the Metropolitan Police. Sir Robert retired at the age of 60 after five years in the job.

At the time a major issue was corruption within the London force and Sir David's appointment introduced a man who was free from connection with Scotland Yard.

Haughey pleased with U.S. visit

MR CHARLES HAUGHEY, the Irish Premier, back from a visit to the U.S., said yesterday that he thought President Reagan fully understood the new Irish Government's policy on Northern Ireland.

He added that he was pleased with his reception, particularly among Irish-American politicians. Meanwhile, Mrs Margaret Thatcher yesterday praised President Reagan for his condemnation of Irish terrorism and call to Americans not to contribute towards violence.

Steel company to shed 340 jobs

UNION LEADERS at Firth Brown, the Sheffield-based private steel producer, have been told that the company wants more than 340 redundancies among its 3,200-strong workforce.

The management hopes talks on redundancies will be successfully completed within a few days. Union representatives have been instructed to negotiate the best possible terms.

The company blames the cuts on the world recession in the aerospace industry, a major buyer of its steels.

Council likely to give tin mine go-ahead

CORNWALL COUNCIL is to consider giving planning approval for full tin ore production at the old Wheal Concord mine near Redruth which was re-opened two years ago.

About £554,000 has been spent on the mine which has 42 workers. In the planning application, the eventual workforce is put at 150. The council is likely to give the approval next month.

Welsh TV deal signed

TRANS World International, the television subsidiary of the Mark McCormack organisation, and the Welsh fourth channel authority have signed an agreement giving TWI an exclusive contract for its overseas programme slate.

The channel, Sianel Pedwar Cymru, hopes to have between 100 and 200 hours of programmes suitable for dubbing for worldwide sale, when its Welsh language service starts in November.

Tokyo shop for Harrods

HARRODS said yesterday that it is to open a small shop within the Mitsubishi department store in Tokyo—the first time its merchandise will be sold in a foreign store.

Mitsubishi, one of Japan's largest department store groups, will be selling Harrods' own label merchandise exclusively.

More air services for Teesside

CASAIR Aviation Services, part of the William Press Group, is to fly regular services from Teesside Airport to Gatwick, London, the Isle of Man and to Guernsey.

The Gatwick service, twice daily, Mondays to Fridays, starts in May, while the Isle of Man and Guernsey services, one flight a day on Saturdays and Sundays to each destination, are aimed at the holiday trade and will operate from June until September.

CBI to fight worker directors plan

BY JOHN ELLIOTT AND JOHN LLOYD

THE Confederation of British Industry is to link up with other Common Market employers' organisations to try to block plans for legislation on worker directors, which are expected to be considered by the European Parliament in May.

Along with other European Labour movements, the TUC is pushing strongly for the EEC legislation. During the past two years it has developed plans for industrial democracy which, while going further than the Guerten proposals, are broadly in line with them.

The Guerten proposals basically give workers' rights in companies with more than 1,000 employees to choose one of four options:

● Collective bargaining between employers and employees on company decisions.

● A two-tier board structure with workers having between one-third and a half of the seats on a top-tier supervisory board.

Shareholders would retain rights to make final decisions.

The proposals form the latest stage in the 10-year life of the EEC's fifth directive on industrial democracy. They are known as the Guerten proposals after the Dutch Member of the European Parliament who acted as secretary of the legal affairs committee.

They are reviving the battle lines drawn up in the UK in the

late 1970s by the CBI and the TUC when the Bullock Report's proposals for worker directors were being considered by the then Labour Government.

With other European Labour movements, the TUC is pushing strongly for the EEC legislation. During the past two years it has developed plans for industrial democracy which, while going further than the Guerten proposals, are broadly in line with them.

The TUC also sees proposals for greater disclosure of information which are being developed separately by the European Commission as a potentially valuable bargaining tool. These are known as the Vredeling-Davignon proposals, after the two European Commissioners who have been in charge of the subject.

The TUC has, in the last two years, developed plans for industrial democracy which, while

going further than the Vredeling proposals, are broadly in line with them.

The CBI on the other hand is sticking at present to its 1979 policy.

But CBI leaders recognise that it may be impossible to stop either the European Parliament and then the European Commission going ahead with some version of the Guerten proposals. It estimates that these might then be forced on to member states after 1986.

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UK NEWS - LABOUR

Plessey workers vote to end sit-in at Scottish factory

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

WORKERS IN the Plessey factory at Bathgate, near Edinburgh, voted yesterday by nearly three-to-one to end a sit-in after about 90 days, and accept a proposal which would keep the plant open.

The sit-in began late in January following Plessey's decision to close the factory. About 320 jobs at Bathgate would have been lost, so about 200 workers, most of them women, decided to occupy the premises.

Following talks with management in London this week, the workers were presented and agreed to a plan under which Bathgate would be bought out as part of a takeover, of Plessey's capacitor factories in Britain, Italy, West Germany and the U.S. by Arcotronics Company.

About 80 jobs are to be saved at Bathgate and there are hopes that more may follow later. A union official at Bathgate said that as part of their agreement, Plessey had

agreed to underwrite the wages of the 80 workers for a year.

Ful redundancy pay is being restored too for participants in the strike who have been dismissed.

Plessey took the protesting workers to court so as to end the occupation, however, proceedings were suspended on a matter of a possible buyer. Mrs Ian Scott, one of the union convenors at the plant, said she did not consider the vote a defeat since she had originally faced the future with no plant and no job.

The sit-in is to continue until tomorrow while details are worked out with management and the workers decide which or whom will get the 80 remaining jobs.

The sit-in became a focal point for Bathgate's problems of unemployment and industrial decline. Many of the women at Plessey have sons or husbands at the nearby Leyland vehicle works, which was also on strike last month.

Moderate unions in recruitment pact

BY BRIAN GROOM, LABOUR STAFF

TWO moderate TUC unions launched a joint move yesterday to increase their memberships among professional and managerial staffs in aerospace, engineering and shipbuilding. The pact is between the Electrical and Engineering Staff Association (Eesa) — which is the staff section of Mr Frank Chapple's Electrical and Plumbing Trades Union (EPTU) — and the Engineers' and Managers' Association (EMA).

The Eesa and EMA have buried their differences in an attempt to gain an advantage over their more left-wing rivals in a field which is open to further unionisation.

Mr John Lyons, EMA general secretary, said their initiative was bound to be resented by the Technical, Administrative and Supervisory Section (TASS) of the engineering union and by the Association of Scientific, Technical and Managerial Staffs (ASTMS).

The cornerstone of the Eesa-Ema effort is to be a joint approach to the Engineering Employers' Federation, seeking national recognition for collective bargaining. The EEF recognised five white-collar unions, but not Eesa or EMA.

These two will now seek bargaining rights for senior staff.

Mr Lyons recognised that the EEF would be the major area of difficulty, but he said "they cannot brush us off".

The unions' joint approach will be backed by an assurance to the employers that there will be no difficulties between the two over recruitment.

EMA wants to join the Confederation of Shipbuilding and Engineering Unions, of which the EPTU is a member, but TASS, in particular, has marshalled stiff resistance to this.

The agreement with the EEF sought by Eesa and the EMA would not mean national pay talks, but it would bolster both unions' efforts to win recognition in a large number of EEF companies.

The two unions have a total membership of 15,000 among managerial staff in aerospace, shipbuilding and engineering, but hope to recruit considerably more. Shipbuilding management is already strongly unionised, but they estimate that there is a potential for bringing in 10,000-12,000 new members in aerospace and over 150,000 in engineering.

Civil Service unions vote to accept new technology

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT secured trade union acceptance yesterday of an interim agreement on introduction of new technology in the Civil Service.

The agreement, which comes into force on Monday, includes a guarantee that no compulsory redundancies will arise from new technology during the agreement's two-year lifetime.

For the Government, the deal is a breakthrough in its efforts to introduce more computers into the Civil Service. The service is already the largest single user of computers in the UK, with 650 medium-to-large computers, 700 micro-computers and 500 word-processors already in use.

For the Civil Service unions, the agreement provides a breathing space until what they hope may be a better political

climate.

They have not sold the pass on such major areas as computerisation of Pay-As-You-Earn taxes, which falls outside the two-year period, though pilot studies are going ahead, but have also won no improved benefits, particularly a shorter working week, in return.

The agreement offers the unions considerable consultation on introduction of new technology, though it acknowledges that it will result in loss of a number of jobs.

A special meeting of the full Council of Civil Service Unions approved the deal yesterday by 46 votes to 17. This vote was expected after the votes of individual unions, and particularly after the Industrial Revenue Staff Federation delivered a key vote in favour

Wales TUC to seek aid for workers' co-operative plan

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WALES TUC is to seek aid to help set up a centre for developing a workers' co-operative along the lines of the successful Mondragon enterprise in Spain.

According to details disclosed yesterday, the Wales TUC will seek an initial contribution of £150,000 from various sources to establish a Welsh co-operative development centre, with a full-time staff headed by a director accountable to a board.

The scheme follows an inquiry into the feasibility of setting up a workers' co-operative to help overcome the massive loss of jobs over the past two years.

The structure draws on the experience of the Mondragon co-operative experiment in the Basque provinces of Northern Spain, where nearly 20,000 jobs have been created over the past 25 years.

Last month Mr Nicholas Edwards, the Welsh Secretary of State, agreed to look at detailed proposals. However, the Welsh office is stressing that although the Government was

happy to fund the feasibility study, is not yet committed to contributing to the final scheme.

The Welsh TUC's proposals also envisage an initial investment fund of £500,000, of which £200,000 would be invested in short-term gilt edged stock to underwrite loans to co-operative ventures and workers launching them.

Even assuming a default rate of 10 per cent, the computer model predicts that the fund's annual income via savings would eventually stabilise at £400,000 per annum after six years.

Mr George Wright the Wales TUC General Secretary, said they were looking for a positive response from Mr Edwards. He noted that the Scottish Development Agency were planning to make some £200,000 available to the Scottish Co-operative Development Committee over the next three years.

The Wales TUC also plans to approach the EIS, MSC, the Gulbenkian Foundation and the Joseph Rowntree and Nellie Trust for financial aid to launch the centre.

BSC in Ravenscraig productivity deal

BY MARK MEREDITH AND BRIAN GROOM

BRITISH Steel Corporation and its biggest union have reached an agreement on a pay and productivity scheme for the Ravenscraig and Gartcosh steel works — averting a crisis at the Scottish complex.

The work scheme led to a strike by the Iron and Steel Confederation, representing about half the work-force, last week. BSC warned that the future of the plant, which has been making heavy losses, was at stake unless an agreement on productivity was reached.

Similar agreements have been reached at most of BSC's other

steel plants in Britain. Of five key integrated works, only Scunthorpe has yet to reach one.

The local productivity negotiations, providing increases in lump-sum bonuses which in some cases will give double-figure pay increases, are taking the place of a national pay award.

Unless trouble erupts at the remaining works yet to sign — which is not expected — BSC will have largely achieved its substantial productivity changes.

These include: redundancies towards the corporation's target of a 92,400-strong workforce by next April; key agreements on

flexibility between grades; and modified Manning levels.

This has been achieved, in spite of initial opposition from the ISTC, which threatened a national overtime ban before agreeing to the local deals in February.

About 200 of the 600 jobs to be phased out at Ravenscraig were to come from members of the Iron and Steel Trades Confederation. About half the 600

have already left.

The union staged its walkout

when management tried to implement the changes without agreement. Talks resumed and

the strike ended, after discussions between Mr Bill Sirs, ISTC general secretary, and senior officials from BSC. British Steel gave unions until the 19th to reach agreement.

The Ravenscraig and Gartcosh complex comprises one of British Steel's most modern works. Under a modernisation plan started in the mid-1970s, the works achieved a very good pedigree for steel production, producing about 80 per cent of its steel with the modern heat and labour saving system of continuous casting.

As the plant, part of the British Steel strip products division, at

division, was completing its modernisation, one of its main customers, the Chrysler Linwood works nearby, was closed, nearly one year ago.

Geography has tended to work against the plant, and Ravenscraig has had to write transportation into its costs of production. Union officials yesterday were optimistic about the outlook for the plant. "We have a future and we will stand by our agreement. We are ready to break more records in steel production," Mr David Henderson, an ISTC official at

British Steel strip products, the plant, said.

Ford foremen halt Halewood

BY BRIAN GROOM, LABOUR STAFF

ESCORT CAR production at the Ford factory at Halewood, North Merseyside, was halted yesterday when 600 foremen began an unofficial 48-hour strike over a disciplinary issue.

The stoppage is expected to continue today and will prevent the production of 1,700 vehicles worth more than £7.5m at showroom prices.

Ford hopes to resume full production after the weekend, although it was unclear yesterday whether this would

happen. It has not laid off any of the 10,000 hourly-paid workers in the body and assembly plants.

The company offered no explanation for this unusual decision. About 4,000 workers were laid off during a paint shop disciplinary dispute earlier this month.

The present dispute began a fortnight ago when management argued with hourly paid workers over whether relief workers in the headlining area should be put on glueing

work.

Two foremen refused to operate an interim procedure, and management told them they would receive written warnings. Their colleagues — members of the Association of Scientific, Technical and Managerial Staffs — met and decided to walk out.

Output at Halewood has greatly improved this year, with production of 850,000 cars a day being regularly reached, compared with an average 700-750 last year.

Contract dispute at BBC

FINANCIAL TIMES REPORTER

JOURNALISTS EMPLOYED by the BBC's Russian service called for a 24-hour strike from 9 am yesterday over the case of a Soviet Jew whose contract with the Corporation has ended.

The BBC declined to renew the contract of Mr Efin Maidanik after his five-year employment had ended. According to the National Union of Journalists and Association of Broadcasting Staff, criticisms were made about the quality of his radio voice.

The unions are angry that Mr Maidanik, who has settled in England after being recruited by the BBC in Israel, is now effectively without a job.

As a protest, the Russian service journalists called the strike to draw attention to the plight of foreign staff employed by the BBC.

The Corporation's foreign service said that the BBC followed a "fresh blood" policy in recruiting foreign staff. The idea was to have a regular turnover of people.

The BBC said yesterday afternoon that the Russian service had not been affected.

The hardest part of a business trip should be the business. Not the trip.

If you've ever landed in America feeling like you just swam the Atlantic, it's time you flew Pan Am Clipper® Class.

Because no-one does more than Pan Am to deliver the business traveller in great shape to do business.

Pan Am Privileges.

At Heathrow we quickly relieve you of your baggage (First Class allowance, by the way) at our special Clipper Class check in. We board you separately, with the First Class passengers.

We put you in your own separate section of the 747 on generously reclining seats that are scientifically designed for long distance comfort. Set in pairs, so you are never more than one seat away from the aisle.

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We treat you to complimentary cocktails and comfortable cushioned headsets, the better to appreciate our stereo music programme and feature films.

And we serve you from what must be the choicest menu across the Atlantic.

Little wonder then that by the time the movie comes round, many passengers are so relaxed that their eyelids close with the opening titles. A process, which our seat, we admit, does nothing to discourage.

What is truly remarkable is that Clipper Class fares are often actually lower than business class fares on other airlines.

Pan Am Destinations.

You can fly Clipper Class non-stop from London to no less than seven US cities. To New York, Washington D.C., Miami, Houston, Los Angeles, San Francisco and Seattle. At the Pan Am Worldport® in New York, you can catch same-day, non-stop connections to another 12 US destinations. Including Dallas/Fort Worth, New Orleans and Detroit.

If your onward flight doesn't have Clipper Class Service, your Clipper Class ticket automatically entitles you to travel First Class.

So next time business takes you to the States, take Pan Am Clipper Class.

You may sleep through the movie, but you'll be wide awake when you arrive.

PAN AM.
Clipper Class

FOR DETAILS, CONTACT YOUR TRAVEL AGENT OR PHONE LONDON: 01-409 0329, BIRMINGHAM: 021-235 9561, MANCHESTER: 061-832 7525, GLASGOW: 041-248 5744, PRESTEL: 215747.

Jobs Bill attacked at women's conference

WORKERS ARE being bribed by the Government to desert their trade unions, according to Mrs Marie Patterson, chairman of the TUC Women Conference which opened at Bournemouth yesterday.

The Employment Bill proposes generous compensation for people dismissed as a result of union membership agreements, unworkable.

But Mrs Patterson, chairman of the women's advisory committee, said: "It offers financial bribes to workers not to be trade union members."

"There is no doubt that the Government's intention is to make effective union membership agreements and arrangements unworkable. A worker, dismissed for non-membership, could be awarded £2,000 by an industrial tribunal and a minimum of £10,000 if re-insitement is impracticable."

Mrs Patterson, a TUC member for 18 years and its longest serving member, also saw the Bill as a further attack on women workers.

She accused the Government of taking advantage of rising unemployment to divide workers by suggesting that women were taking men's jobs.

UK NEWS - PARLIAMENT and POLITICS

Midland attacked on Stone-Platt receivership

By Ivor Owen

A NEW approach by the banks to the needs of manufacturing industry was urged by Mr Geoffrey Robinson (Lab) Coventry North West in the Commons yesterday when he condemned the Midland Bank for forcing Stone-Platt, textile machinery makers, into receivership.

He emphasised that the company had striven hard with the supporting Conservative Government and Labour governments, to overcome difficulties which prevented it keeping up with international competition.

By producing good, technically advanced products, said Mr Robinson, the company had become world leaders in its field, and was currently breaking even and operating within its bank facilities.

He asked: "Does anyone really believe that Japan would put such a company through the hoop of enforced receivership with the loss of confidence and uncertainty it creates in the market place?"

"Would the French or German banks, working close as they do with their manufacturing industries in their national interests, have taken the decision which the Midland has taken today?"

Mr Robinson contended that the situation was all the more deplorable because in a matter of days the Midland would be announcing record profits.

He forecast that the Stone-Platt receivership would come to be seen as a "major black-spot" for Britain's banking institutions.

It marked the nadir of the failure of the banks to understand and cater for manufacturing industry, particularly medium-sized engineering companies like Stone-Platt.

Mr Robinson's application for an emergency debate on the issue was rejected by the Speaker, Mr George Thomas.

Seal products ban rejected

MRI PETER REES, Trade Minister, yesterday ruled out a ban on imports of seal products.

"There are no trade or economic reasons for imposing a ban," he said in a Commons written reply, adding: "There is no authoritative evidence that seals, particularly in Canada, are endangered as a species."

Periodically the Royal Mail commissions articles by independent experts on various aspects of mail order and distribution. One of the areas covered is direct marketing — the unique field of selling which offers so much through its flexibility and prospects for return on investment.

The latest in our series of articles is written by

Foot and Thatcher clash on arms offer response

By IVOR OWEN

AN ANGRY Mrs Thatcher yesterday told Mr Michael Foot, Opposition leader, to lecture Soviet President Brezhnev rather than President Reagan and herself on the need for faster progress towards nuclear disarmament.

In Question Time exchanges in the Commons Mr Foot attacked the Prime Minister for failing to follow up effectively the disarmament proposals put forward by the Soviet Union in the autumn of 1979.

He welcomed the fact that the Prime Minister had now accepted the Opposition's advice and agreed to address the United Nations second special session on disarmament in June.

Rhine forces 'hampered by spending restrictions'

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE operational efficiency of British forces in Germany is being impaired by cuts in spending on fuel, spares and training, the Commons select committee on defence said yes-

ter from the Ministry of Defence are replaced by asterisks. This includes the actual number of training hours now flown by the RAF in Germany compared to Nato requirements.

Severe cuts in the budget for British forces in Germany were introduced in 1980/81. Under pressure of overspending, the Defence Ministry also introduced a moratorium on defence contract payments.

The committee notes that the cost of British forces in Germany in 1981/82 (excluding equipment) represented 8.4 per cent of the total defence budget of £12.3bn. Costs will be reduced by some £20m as a result of reducing personnel to 55,000 guaranteed by treaty.

The committee says the restructuring proposals are "realistic" but it believes more savings could be found in the long term — for example, amalgamating the separate BAOR and RAF medical services.

It also criticises the British Rapier air defence system, which it is in position at RAF Wildenrath.

"Since Rapier is such an outstandingly effective system it is the more regrettable that its operating position can so easily be detected by the noise of the generator" it says.

We are in no doubt that the efficiency of RAF Germany will suffer if training standards are not maintained." it says.

The report covers a visit to the committee made to the central German front in October. Secret details of evidence taken

Patricia R Curtis, consultant in direct marketing. It discusses the basic principles of pricing in direct marketing — important to everyone involved in this field.

A précis of the article is given here.

For your free copy of the full text, please use the coupon.

Pricing strategy in direct marketing.

Many companies that operate on this basis (book/record clubs, mail order catalogues, etc.) do not expect to make a profit on the initial transaction; they break even at the start and make their profit in the longer term.

First send for information

A two-stage operation involves further basic costs: free gifts, maintenance of mailing lists, the second stage postage and administration, literature... Since the object of the advertising is to generate enquiries, the determined

An example of how the article computes the allowable cost of selling a product by the cash-with-order method.

CASH WITH ORDER COMPOSITION		
Fixed Costs		
Product	£10.00	
Overhead	2.00	£12.00
Variable Costs		
Admin	2.00	
Queries/exchanges/return postage, etc.	2.00	
Credit cards (% of sales)	0.65	
Freepost on order	0.13	
15% Returns/refunding etc.	3.02	7.80
Profit		3.00
Selling Price	£20.00	Total £22.00
Less	2.20	
Allowable selling cost (nil profit)	£7.20	
Break-even selling cost (nil profit)	£10.20	

To: Mrs Vassary, Postal Marketing Department, FAX/FOR (no stamp required), 2225 Finchley Road, London NW11 7JL. Please send me a copy of the full article "Pricing strategy in direct marketing".

NAME _____
TITLE _____
COMPANY _____
ADDRESS _____
POSTCODE _____ TEL _____

The sensitivity of direct marketing brings a unique flexibility in pricing — the reaction of the public allows an almost immediate decision on whether the initial pricing has been right or wrong. But two crucial factors must be established at the start: the variable cost of selling the product, and the total costs that apply to direct marketing.

Three kinds of marketing tactics are available in direct response: cash with order; free examination ("try now, pay later"); and two-stage ("send for information, we'll follow up"). In each case, three cost factors must always be added to the cost of the product and its advertising when determining the final asking price: sales administration, other overheads and profit contribution. Then further factors need to be allowed for in each of the three marketing tactics, as follows...

Send cash with order?

Allowance must be made for the cost of queries and exchanges. Credit facilities and Freepost are major incentives but need to be included in the cost, as does the return of products by dissatisfied customers.

The Table shows a typical breakdown, establishing that a product costing £10 to obtain and being sold at £50 can afford a "cost of selling" of only £7.20.

Send no money now?

When goods are offered "on approval", extra costs to be allowed for include credit vetting and bad debts.

Royal Mail Parcels
"We mean business"

Commons Sketch

Good news for the friends of Willie

BY ELLINOR GOODMAN, POLITICAL CORRESPONDENT

THE LAST

few days have been very worrisome for members of the Society for the Preservation of Willie Whiteley, the Home Secretary. Anxiety has grown for this marvellous one-man institution, as the Tory hangers and foggers mounted a shrill campaign against his alleged "soft" approach to crime.

There is good news, however, for those of us who have treasured Willie's performances over the years. Once again, in the Commons yesterday, his unique use of the English language left his critics virtually speechless.

Why was crime going up at a time when more resources were being poured into the police?

Answer: "The community as a whole needs to examine these facts. There are many reasons for it, but no excuses."

But the highlight of the afternoon came a little later during questions to the Prime Minister.

Suddenly, the whole law-and-order campaign rebounded, leaving Mrs Thatcher flat on her face. The man who accomplished this was that cagey old campaigner Jim Callaghan, the former Prime Minister.

It was soon clear that there was going to be little to satisfy what Labour spokesman Peter Snape described as "the unhealthy blood lust" of the Tory right wingers.

"I do not think corporal punishment will return to this country," Mrs Thatcher declared to cheers from Labour and an uneasy silence on her own benches.

The disastrous sequence started when Mr Ivor Stansfeld (Con, Orpington) rose to question the Prime Minister.

"Despite the valiant efforts of the Home Secretary to which I and my honourable friends pay tribute . . ." he began.

At this, the Opposition broke up in titters and laughter. Could this really be the Mr Stansfeld who had been one of the leaders of the hue and cry against Mr Whitelaw?

"Get your knife out of Willie's back," shouted left-winger Mr Bob Cryer helpfully.

The substance of Mr Stansfeld's question hardly reflected the sense of outrage we were led to believe existed on the Tory back benches over the figures for increased crime. It was an anodyne rigmarole about crime being influenced by many factors, including the family, school, church and television.

A much tougher question came from Mr Alfred Dubs (Lab, Battersea South), who pointed out that the number of serious crimes had declined when Mr Callaghan was in power.

Mrs Thatcher, who seemed taken aback by this, rapidly thumbed through a sheaf of statistics and finally suggested that the number of murders were at their greatest during the time of the last Labour government.

Mr Callaghan, who was affectionately known as "Pe Plod" during his term at the Home Office, ominously rose from his seat to put his case before the court.

It was, he said, a simple statistic that serious crimes, such as violence against the person, burglary, robbery, criminal damage and handling stolen goods, had declined each year when he was Prime Minister and gone up every year during Mrs Thatcher's term of office.

With refreshing frankness, he admitted that neither he nor Mrs Thatcher had any influence at all upon those statistics.

At this, Mrs Thatcher desperately fumbled through her papers again and blurted out a full confession.

"I'm sorry, I cannot reinforce what I said about the number of murders. I was, in fact, thinking about something else."

She explained that she had been mistaken and had really meant to refer to the number of policemen who were killed while the Labour government was in office.

In the ensuing uproar, the Speaker, Mr George Thomas, had to introduce some law and order of his own, while Mrs Thatcher declared huffily: "What has happened has made a triviality of something which is extremely serious."

All in all, it seemed to have been a fair cop for Jim.

Another intriguing minor development should not pass without note.

Mr Patrick Mayhew, Minister of State at the Home Office, yesterday emerged as a worthy acolyte of Mr Whitelaw.

In a written reply to suggestion that rapists should be castrated, he declared: "There is already sufficient reason to doubt the effectiveness of castration in preventing further sexual offences."

Willie could not have put it better himself!

John Hunt

Alliance candidates agreed for over 400 English seats

BY ELLINOR GOODMAN, POLITICAL CORRESPONDENT

THE SDP and the Liberals have agreed on a roughly equal share of the seats in two-thirds of the constituencies in England.

The local negotiations which began just before Christmas and have at times put very serious strain on the Alliance have produced agreements covering more than 415 seats.

Nevertheless, some constituencies are creating problems and agreement still has to be reached in two of the areas containing seats in which the Liberals have done particularly well in the past—Devon and Cornwall.

Negotiations are still going on in central London where the SDP hopes to fight twice as many seats as the Liberals.

Earlier this week the two parties announced that they had agreed how to share out seats in Scotland. Yesterday's announcement confirmed the deals struck in Nottinghamshire, Derbyshire and parts of

Greater London and the West Midlands.

Provisional agreements have been reached in 16 other negotiating units including the rest of Greater London, part of West Sussex, Essex, Hampshire, the Isle of Wight, Kent, Lincolnshire, Norfolk and Suffolk, Northamptonshire and Leicestershire, North Yorkshire, Humbershire, Somerset, Dorset, South Yorkshire, Surrey, Tyne and Wear and Northumberland, Warwickshire, and the West Midlands.

The parties said that negotiations were continuing in the remaining 13 units.

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In a statement which seemed

timed partly to demonstrate to the electorate of Hillhead between the two parties, the two leaders claimed that "in view of the many factors that had to be considered" the progress so far was a "remarkable achievement" which reflected greatly to the credit of all the local party members who had been involved in negotiations and had been obliged to make concessions and "sometimes accept difficult decisions."

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THERE'S ONE SECTION OF THE ECONOMY THAT'S RAPIDLY EXPANDING.

OBSERVER BUSINESS

THE WAY TO REFLATE WITHOUT INFLATION

WILLIAM KEEGAN ON MONETARISM
INFLATION AND THE WAY FORWARD

The Observer now has a bigger, separate 'Observer Business' section.

Editor William Keegan will write his usual sharp and sardonic commentary on the fortunes of monetarism.

The team will also feature Melvyn Markus from the Sunday Telegraph as City Editor, Iain Carson from the Economist as Business Editor, and the effervescent John Davis as Fleet Street's first Investment Editor.

The whole team will have lots more space to give you a full up-date on the world of finance and investment.

In a world of the Laker and De Lorean calamities, and the dramas of British Rail and ACC, we think you will want to read more, and more deeply, into the issues that affect your money.

(If you like winning at sport as well, you'll be glad to know there's a new, separate 'Observer Sport' section too.)

The new 'Observer Business' section.

It will really pay you to get your copy of the new 4-section Observer on Sunday.

The new four-section Observer with Colour Magazine.



THE PROPERTY MARKET BY ANDREW TAYLOR

Euro Ferries goes abroad

EUROPEAN Ferries' growing property development interests are poised to expand into mainland Europe. The company has established a new property subsidiary, based in Monaco, and is seeking office development sites, particularly in West Germany, particularly in West Germany, and Holland.

The group, which entered the commercial property field only in 1976, has based its reputation on a string of successful UK office developments. More recently it has expanded its property interests into the U.S.

Mr Keith Wickenden, Euro Ferries' chairman, said that the new company hoped to have its first Continental office development under way by the end of this year. It is looking for sites which could support 50,000 to 100,000 sq ft projects in major cities.

Paul Norman and Irving Scholar, two chartered surveyors with whom Keith Wickenden started Townsend Thoresen Properties, are to head up the new operation. Unlike Townsend Thoresen Properties, which is 75 per cent owned by Euro Ferries (with Mr Norman and Mr Scholar holding the balance), the new subsidiary still to be named, is 100 per cent owned by Euro Ferries.

The decision on mainland Europe—an unfashionable market for British developers and property investors, since so many got their fingers badly burned in the mid-1970s—is typical of the company.

"It was not fashionable to

move into UK office development when we started in 1976," says Mr Wickenden. "The market was at its lowest ebb but we believed that prices were too low and that there were good opportunities."

Keith Wickenden stresses

that the company will not abandon its cautious approach to development simply because it has crossed the Channel.

In the UK the company's

property division has built its

reputation on some shrewd

purchases of land when prices

were depressed. It traditionally

has bought sites only where

planning permissions were as-

sured and had largely delayed

committing money for building

work until either a tenant was

assured or a forward sale was

agreed. It is a developer of

property for sale, not an in-

vestor. In this way Euro Ferries

claims it keeps risks to a min-

imum.

The shape of Euro Ferries'

property interests is changing

radically. It is proposing a

major share deal to buy the

interests of its Canadian partners,

Vace, in several hundred acres

of development land at Denver,

Colorado, and a smaller industrial

development at Atlanta, Georgia.

If the deal is approved by

Euro Ferries' shareholders it

could leave the former Canadian

partners as the British com-

pany's largest shareholder, con-

trolling around a fifth of Euro

Ferries shares, says Mr Wicken-

den.

Immediate prospects for Euro

Marketing problem at Millwall Dock

THE FIRST parcels of development land to be made available inside London's new enterprise zone have been put on the market by the London Docklands Development Corporation—the body established last year to mastermind the regeneration of the capital's former dockland areas.

In the U.S. where the company is greatest, the company still has to put one brick on top of another in its own right. Its progress in Denver has been punctuated by a bewildering series of land sales, land swaps and joint venture deals. Some of the joint ventures are now under way. The terms won by Euro Ferries appear extremely favourable and have involved very little or no cash outlay by the company. The downside therefore is extremely low: the upside has still to be realised and will require at some stage a much greater level of cash commitment by Euro Ferries.

In the short term these factors appear to point to a slower rate of growth from property earnings than that to which Euro Ferries has recently been accustomed. Nevertheless, a continuing flow of development sales in 1981 is thought to have kept property profits at around the same level as 1980. Overseas property investments have still to realise that potential.

trial developer has expressed disquiet at the size of the price tag suggested by the Corporation for land inside the boundaries of the Isle of Dogs Enterprise Zone.

Commercial development land immediately outside the zone is presently estimated to be fetching between £75,000 and £100,000 an acre. This compares with a likely price tag for land inside the zone of between £150,000 and £180,000 an acre.

Two tranches of land inside the Isle of Dogs zone are currently on offer. Healey and Baker is arranging the sale of three sites, totalling around 13 acres, which are aimed at the speculative developer. Henry Butcher is arranging the sale of a further 20 acres to be sold to owner occupiers planning to build their own factories, warehouses or offices.

Healey and Baker says that price is not being discussed and that the market will find its own level. Henry Butcher, however, has indicated to owner occupiers that prices could be in the region of £150,000 and £180,000 an acre, depending on the size of unit and quality of site.

Sites on offer to speculative developers would provide for small nursery units up to 3,500 sq ft and for larger units up to 20,000 sq ft. Henry Butcher is offering owner-occupier sites of between half an acre to four acres.

LMS lets Islington offices

LONDON Merchant Securities sees its letting of the 7,500 sq ft upper part of a newly restored office building—formerly a J. Lyons Corner House—at the Angel, Islington, as a good omen for the impending marketing of its 235,000 sq ft Angel Centre, which nets down to 175,000 to 180,000 sq ft of air-conditioned office space and should be completed in September.

• Healey and Baker will be dealing with stores at Leeds, Derby, Bromley, Guildford, Dublin and Richmond which between them total some 239,000 sq ft of selling space:

• Erdman take Manchester, Burnley, Blackburn, Lesham, Oxford, Blackpool, Watford and Brentwood, which add up to 229,000 sq ft; and

• William and Glyn's Bank has an office development of similar size under construction opposite the Centre. The Corner House letting is to Anthony Gibbs, part of the Hong Kong and Shanghai Banking group.

• Vickers da Costa, stockbrokers, in their latest quarterly review, recommend investors to reduce their holdings in companies with high exposure to London office properties in favour of those with more broadly based industrial, office and shop portfolios.

The brokers say that, because of depressed international demand, the London office market will remain oversupplied well into 1983.

• Eagle Property Trust's 22,000 sq ft air-conditioned Southwark Bridge House office development in London has been let by Jones Lang Wootton and Richard Main and Co to British Telecom International.

Keener prices for Woolworth stores

F. W. WOOLWORTH'S property disposal programme was taken a stage further this week with the instruction of agents Healey and Baker, Edward Erdman and Hillier Parker—for the sale of the latest tranche of 25 stores, split up as follows:

• Healey and Baker will be dealing with stores at Leeds, Derby, Bromley, Guildford, Dublin and Richmond which between them total some 239,000 sq ft of selling space:

• Erdman take Manchester, Burnley, Blackburn, Lesham, Oxford, Blackpool, Watford and Brentwood, which add up to 229,000 sq ft; and

• Hillier Parker have Edinburgh, Wood Green, Holloway, Dalston, Tottenham, Wembley, Upper Edmonton, Wigan and Ilford for a 161,000 sq ft total.

All in all, the grand total is nearly 630,000 sq ft which, Woolworth estimates, will raise over £90m, or a little over £143 a sq ft. Compare that with the earlier group of six stores which went on the market late last year—about 150,000 sq ft for a suggested £50m, or £333 a foot—and you get the feeling that somebody, somewhere, is lowering his sights a little.

There may be a reason for that. Of the first six stores which went on to the market, only two have been sold. Argyle Street, in Glasgow, came close

to target, some 40,000 sq ft going for £12.8m (\$232 a foot) via Hillier Parker, with John Menzies coming in on the ground and offices going upstairs.

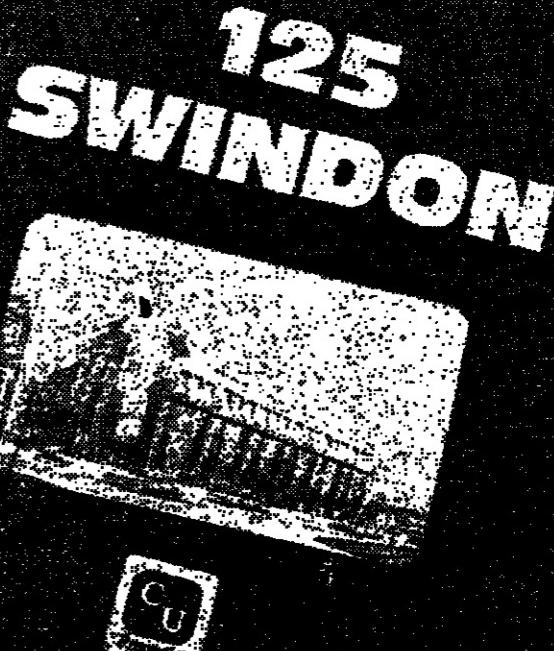
Bournemouth's 27,000 sq ft, however, went to Boots for between £5m and £6m or some £200 a foot, taking a middle price range. This means that the remaining four stores—at Putney, Kensington, Oxford Street and Dundee, a total of some 72,600 sq ft—would have to make \$430 a foot to reach the £50m target.

Meanwhile, the average size of the stores Woolworth is selling is about 25,000 sq ft. When the sales are completed, Woolworth says it will have approximately 34m sq ft of retailing space in its 660 remaining stores—or just under 10,000 sq ft a shop.

It appears that Woolworth is selling what is marketable, in a sluggish period for the retail property market. Property professionals were naming British Home Stores, Boots (as we have seen already), W.H. Smith and Mothercare as potential interested parties, although property investors and developers are also likely to come into the reckoning.

Given that the stores are widely dispersed, and that Woolworth says that it is under no short term pressure to sell, Woolworth's plans are not expected to make the retail property market any worse.

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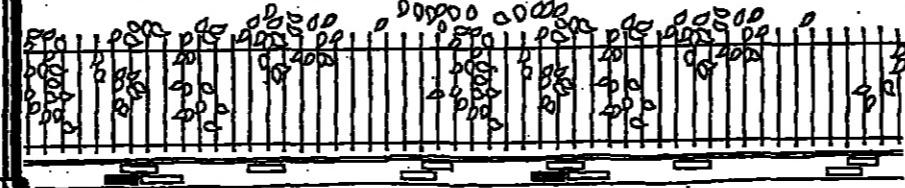
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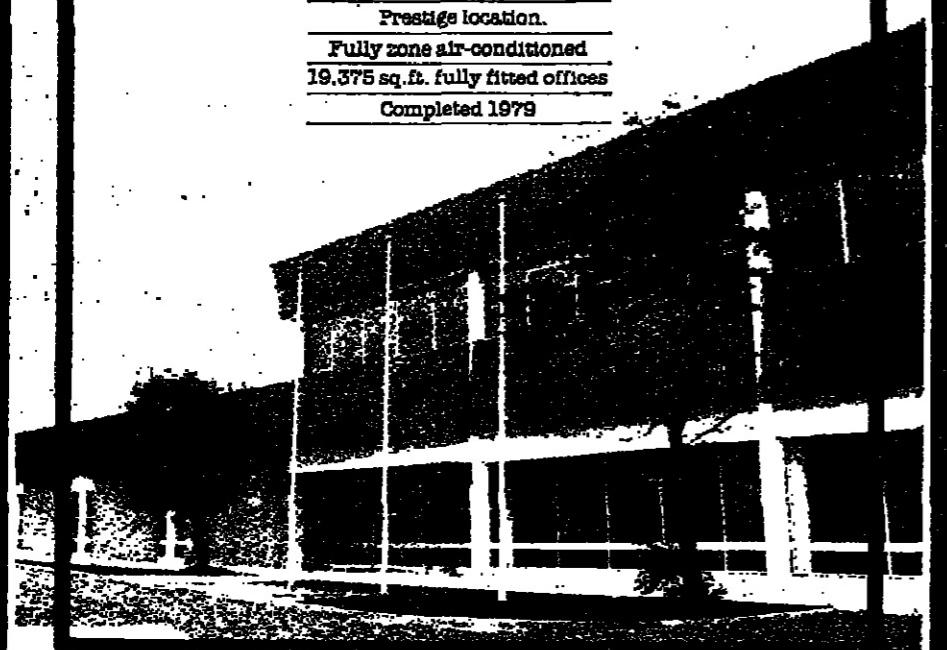
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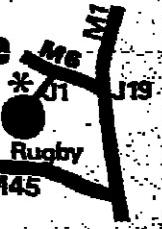
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RH/2109

A PRACTICE direction issued by

Mr Justice Parker on March 15 specifies the minimum period within which documents must be lodged with the Clerk of the Commercial List before the hearing of a chambers application.

His Lordship said that as from Monday, March 22, the existing notice as to the procedure for lodging documents would be replaced by the following notice:

"It is the responsibility of both parties to an application to the Commercial List to lodge all documents relevant to the application in time for the hearing of the party in default."

"A copy of this notice should be attached to the copy application served on the parties."

Copies would be available in the office and it was the responsibility of the applicant to attach a copy to the summons served on the opposite party.

FT COMMERCIAL LAW REPORTS

Charterers' duty to present complete forms

GARBIS MARITIME CORPORATION v PHILIPPINE NATIONAL OIL CO
Queen's Bench Division (Commercial Court): Mr Justice Goff: March 2 1982

WHERE A ship's master is bound under a charterparty to sign bills of lading presented by the charterers in a certain set form, he is entitled to refuse to sign unless blank spaces on the form are filled in with the required information; and charterers who fail to present the form properly completed are in breach of the charterparty.

Mr Justice Goff so held when upholding an arbitrator's award that Philippine National Oil Co., charterers, were liable to Garbis Maritime Corporation, shipowners, for damages for the detention of the chartered vessel, the Garbis, resulting from the Master's refusal to sign incomplete bills of lading.

The Master refused to sign the bills unless the blanks were filled in, and also insisted that the unusual typed clause which had been inserted into the charterparty should be endorsed on the bills. As a result of the dispute which arose, the vessel was detained at Bahrain.

The charterers submitted to arbitrators in the dispute that the Master was obliged to sign the bills of lading as presented. The owners submitted that he was entitled to refuse. The arbitrators found in favour of the vessel, the Garbis, resulting from the Master's refusal to sign incomplete bills of lading.

* * *

HIS LORDSHIP said that the owners hired the Garbis to the charterers under a tanker voyage charterparty in the Exxonvay form, for the carriage of oil from Bahrain to the Philippines.

The charterparty contained

standard printed clause 20, which provided that "the Master shall, upon request, sign bills of lading in the form appearing below for all cargo shipped..." The form of the bill of lading referred to was set out at the end of the charterparty.

A provision of that kind reflected the fact that when goods were carried in a chartered ship, a bill of lading might well be one of a set of documents to be used for the purpose of evidence of a contract of sale; and as such it would be endorsed over to the buyer and become, in his hands, not merely a receipt for the goods, but the document which contained or evidenced the terms of the contract of carriage between the shipowner and the charterer.

It was accordingly important that the bills of lading should be in a form which would comply with the terms of the contract.

There was no rule about

Shiny Copper's success. The horse was at the back of the field in the early stages and only appeared on the scene running down towards the straight. But Mrs Nadine Smith's charge made relentless progress on the turn and tackled Cima on the run to the final furlong. From that point Shiny Copper always looked like obliging, in spite of the presence of formidable foes in General Brayfax and Royal Vulcan.

Mrs Nadine Smith is likely to remember the 18th Triumph hurdle for a long time as her other runners, Prince Bless, Janus and Doctor Steve All, acquitted themselves with reasonable distinction. Janus ran particularly well until

tiring.

Failure to comply with this direction will normally result in the application not being heard on the date fixed at the expense of the party in default.

"A copy of this notice should be attached to the copy application served on the parties."

Copies would be available in

the office and it was the responsibility of the applicant to attach a copy to the summons served on the opposite party.

THE PRACTICE direction: time for lodgment commercial documents

the exhibits, if any, lodged. On

the first occasion when any inter partes application is made

in an action, the documents should always include the main

pleadings and the parties should

be prepared, if necessary, to

justify the return of the

action to the Commercial List.

His Lordship said that as from

Monday, March 22, the existing

notice as to the procedure for

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THE PRACTICE direction: except at the following times:

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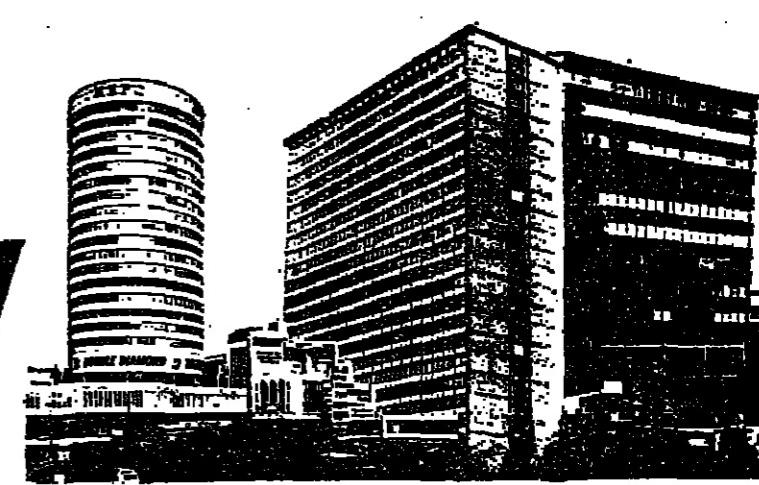
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FINANCIAL TIMES SURVEY

Friday March 19 1982

Office Property



The overall downturn in the market has led to the widening of the gap between the demand for top quality buildings on prime sites and floorspace less favourably placed.

Adding to the uncertainty of the future is the likely effect of automation in the office.

When a touch of class pays off

BY MICHAEL CASSELL, Property Correspondent

THE UK office market has clearly seen better times, although it appears to have escaped the worst effects of a recession which has not been so kind to other sectors of the commercial property world.

The service sector on which the office market is based has been hit last and least by the UK's economic problems, but there is clear, countrywide evidence that demand for office space has declined and rental growth has, in real terms, been limited or non-existent.

The downturn has particularly affected the market for larger units of accommodation, with smaller space continuing to attract generally healthy levels of interest. Demand has tended to concentrate on prime, centrally located accommodation and the deepening recession has highlighted the growing performance gap which has emerged between this type of floorspace and the off-centre, poorer quality building which may readily find a tenant when the economy is buoyant.

The same can be said in terms of the differing performances of various regional office centres. While some,

notably those in the south of the country, have managed to maintain a steady flow of development and letting activity, others further afield have effectively shown few signs of significant growth.

Although many regional centres may have been in the doldrums, there are at least signs that conditions are beginning to change. Few provincial centres found themselves with large oversupplies of office space when the recession arrived, so there will be a limited amount of accommodation to be soaked up before rents begin to reflect localised shortages and new development again becomes both necessary and economic.

Conviction grows

The process is already underway in some towns and while the short-term prospects for lettings and rentals may not appear very exciting, there is a growing conviction that an improvement in the economy could see a rapid end to the subdued climate which has characterised office markets around the country.

In value terms, the disparity in rental levels between different office centres remains very noticeable. Top prime rents in the City of London—where the impact of the recession has been minimal—are now around the £27 a sq ft mark and are expected to grow by an average of 7-10 per cent in the current year.

Highest tenant demand and rental growth outside London has come from those office centres spread out to the west of the capital. But having weathered the recession for the greater part of 1981, the Thames Valley is feeling finally the effects.

Letting activity in the region is continuing at a steady but slower rate and, as elsewhere, the best quality accommodation has shown the best performance. Asking rents in a location like Reading have now reached £14.25 but with an estimated 600,000 sq ft of office space either available or under construction, the short-term outlook for rental growth looks limited.

Reading represents one of a number of locations which can expect to continue to benefit

from the incoming tide of overseas office occupiers and the apparent resurgence of a drift away from London on the part of owner-occupiers and tenants.

Rates issue

Although, contrary to fairly common belief, London as a whole still provides numerous potential opportunities for fresh office development, the likely level of future demand from occupiers wishing to locate in London itself can no longer be taken for granted. Office decentralisation has been a cyclical phenomenon for many years but changes in office technology and the emergence of increasingly suitable alternative locations promise to downgrade London's role as an office centre on a more permanent basis.

Above all, the rising costs of office accommodation in central London have forced increasing numbers of occupiers to re-examine the economics of their occupation policy and to consider whether the benefits of a presence in London justify the overspill locations but as markets in their own right, offering all the advantages of close proximity to the capital

The issue has been brought to the forefront by the huge increases in rates levied by local authorities which have transformed a traditionally small element of overall occupation costs into a major overhead.

There are clear signs that some of the inner London boroughs have woken up to the economic and political dangers of treating ratepayers as a bottomless pit of pound notes, although their moves to moderate rate increases this year are being thwarted by continuing heavy precepts from the Greater London Council and the Inner London Education Authority.

In the past, there has generally been enough growth from the London centre to balance any trend towards decentralisation, but there is now a chance that this might no longer be the case.

There are signs that locations on the western edges of London, such as Hillingdon, Hounslow, Ealing and Harrow, are not simply emerging as obvious overspill locations but as markets in their own right, offering all the advantages of close proximity to the capital

and yet providing easy access to the region's other major centres.

The combination of cost-push factors and the growing difficulties involved in pursuing significant office schemes in London must be seen as a threat to some traditional locations which are not going to be helped by the "anti-office" approach adopted within the ruling GLC Labour group.

The GLC has made clear its dislike of the development industry, although it has fairly quickly come to terms with the undeniable fact that office buildings as well as factories provide employment as well as a major source of local government income.

Muted attitude

In reality, the attitude towards office development has been far more muted than many people originally expected. But the additional uncertainty injected into an already complicated planning and development process by the presence of an authority with minimal goodwill is not likely to provide an atmosphere in which office development flourishes.

CONTENTS

Investment	II	Costs	IV
Development	II	City of London	V
Split Functions	II	West End	V
Refurbishment	III	Birmingham	V
Office Technology	III	Glasgow	VI
Planning and GLC	IV	Manchester	VI
Appeals and competition	IV	Rents	VI

adapted for office or manufacturing use and which offers the type of environment not normally associated with the industrial market.

The view of the investing institutions will be crucial in determining the shape of future office development and there are at least some grounds for concern over the amount and quality of research they are undertaking to try and determine the future requirements of the occupier.

A new formula will be required for the speculative office and it will not be sufficient simply to rely on location to provide a ready customer. Efficient use of space and energy will be vital prerequisites and already some glimpses of the future are emerging in the form of office schemes now being developed. Perhaps it is no coincidence that some of the most forward-looking projects have not emerged from the institutional developers but from the property companies which display a flair for the market which is not always readily apparent within many of the big funds.

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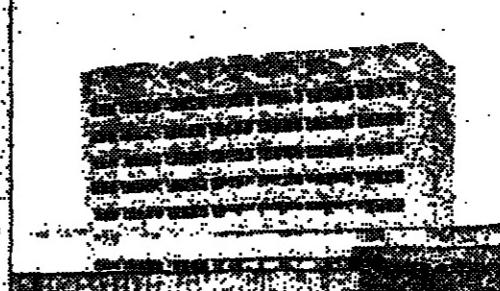


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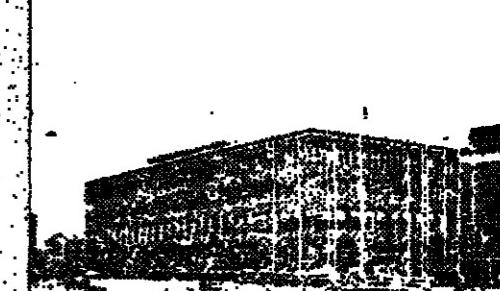


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OFFICE PROPERTY II

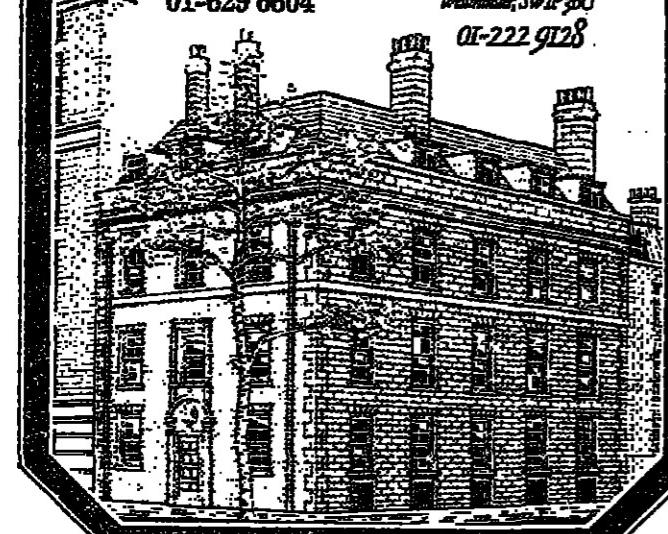
The big investors are ignoring current market sluggishness, looking always for prime quality space

Institutions still buying for the long term

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THE WEAKENING performance of all sections of the commercial property market has not managed to deter the institutions from continuing to regard real estate as a primary investment option.

The investing funds, conditioned by the high performance of the property sector since the latter part of the 1970s, have shown little concern over what is widely assumed to be a temporary setback in a long-term market and have continued to

The opinion of agents like St Quintin is widely shared: "Although the volume of institutional money has been underpinning the market for prime property, the secondary property market has suffered, where yields have tended to be more in line with the general level of interest rates. The yield gap with gilts can only be justified by future rental growth, expectations for which may be less sanguine than hitherto."

In the words of Healey and Baker: "While the market continues to be highly competitive, with demand for high quality investments significantly exceeding the available supply, investors have become more analytical in their decisions as to what constitutes acceptable property and only those assets passing the most stringent tests can command the level of yields now being quoted on prime."

On the surface, office property prime yields (4% per cent) certainly look expensive at present when compared with most other forms of investment but, in Healey and Baker's view, the case for purchases showing initial rates of return at such levels is established beyond all doubt and is only clouded by those who fail to differentiate between 'prime' assets and those that do not truly possess the required attributes."

According to Healey and Baker, investors enjoyed — on

investment terms — the same rates of return achieved throughout 1981.

According to the latest yield graph from Healey and Baker, the investing outlook has had no impact on underlying demand for prime property and the investment market for top quality space has remained highly competitive, with demand outstripping supply.

There is no doubt, however, that the investment market in offices has become increasingly more selective as the marketplace has become decidedly more patchy and it is the secondary market which has suffered accordingly.

According to Healey and Baker, investors enjoyed — on

top of initial yield — an average annual growth on prime offices of 8.8 per cent compound in 1981 against nearly 11 per cent for prime shops and 2.5 per cent on industrial investments. Inflation during the same period ran at about 12 per cent.

More importantly, however, a longer-term comparison shows that while the retail price index rose on average by 12 per cent annually over the past five years, the average rental growth

for offices across the country was 13.9 per cent. There are inevitable variations in performance between the regions and even between various towns although, in the case of office property, the south eastern markets have materially outperformed the remainder of the country.

As Healey and Baker admits,

were it not for the south east,

the average rental growth for

the office sector as a whole

would be depressing indeed.

Throughout London's West End

and City markets have, by any

standard, remained world-wide

performers.

But the institutions are fully

aware that no one sector of the

overall investment market can

be expected to outperform con-

tinuously all others in per-

centage and this is clearly the

case for property in the short-

term.

If there is a general view

that property is, for the time

being, too expensive, then the

investing funds are apparently

apparent lack of supply of acceptable prime properties is partially self-induced by the institutions themselves.

"They are reluctant to quote yield against risk, which in itself serves only to highlight the apparent importance of prime against all else."

But the clearest impression to emerge from the present investment market is that the underlying confidence in property has not been dented in recent times.

For some time now, the role of the investing institutions in property has been growing beyond the role of simple financier and into the realm of direct development. The institutions sat more comfortably on assets than on others and it is not always easy to see how the public can reconcile their role as the careful custodians of huge volumes of other people's money with the need to provide an imaginative and innovative lead in the development industry.

Jones Lang Wootton are among those who point out that owner occupiers are nowadays looking very carefully at likely office requirements before taking development decisions and that similar far-sightedness on the part of the institutions will be vital if they are to keep in touch with the requirements of the marketplace.

There are signs that the more enlightened investors are already thinking along these lines and it will undoubtedly be these who maximise their investments in property over the longer-term. But, although future investment in property may well have to become a more thoughtful affair — with previously successful formulas not necessarily guaranteeing future dividends — the sector as a whole should, as long as capital values keep up with inflation and portfolio incomes offer real, long-term returns, remain a leading choice for the investing institutions.

happy to contemplate such a set of circumstances and yet maintain investment levels for a variety of reasons.

Among the major factors

determining the institutions

acceptance of such relatively

low returns is the large volume

of uninvested money still over-

hanging the property invest-

ment market, a tide which is

now likely to rise further given

the impending release of invest-

ment restrictions on local autho-

rity pension funds and the

failure to meet target percent-

ages for property sector

holdings.

As Richard Ellis recently

pointed out, however, only a

very small proportion of prop-

erty is actually valued at the

lowest yields, so that many of

the purchases made by funds do

carry rates above this level.

According to Ellis: "The

range of properties acceptable

to the institutions as prime

investments also contracts dur-

ing a recessionary period. It is

interesting to reflect that the

area at one end of the so-called

"Golden Triangle" involving

London and Croydon—eventu-

ally had to be sold a tenth or so

down on its original bid price.

Still, despite the market place

and financial constraints facing

developers, it is equally clear

that many property companies

have their fingers crossed this

year in the hope of a revival in

development demand.

Although still high relative to

the long-term graph, interest

rates are now finally showing

signs of moving in the right

direction. The Budget, with its

broadly neutral message, has

at least begun to create a better

working atmosphere. No one ex-

pects an instant miracle, but

some of the more optimistic old-

hands are now beginning to

search for a turning point for

the commercial property mar-

ket.

Institutional demand for new

office investment is being in-

creasingly pent up, but by sig-

nificant competitive investment

forms as well as the slowness of

new developments. If the Bank

of England can keep up its re-

cent good work and keep in-

terest rates moving down, bor-

rowing costs may yet get down

to the level at which office pro-

perty yields once again become

universally attractive.

Competitive bidding for de-

velopment sites has begun to be

reflected in instances of over-

heating, with some sites going

under offer at prices which can

not subsequently be supported.

A small development in Read-

ing—a prime office develop-

ment

management have all combined

to create a very flat demand

for new offices.

There are of course pockets

of buoyancy but the general

trend of office rental growth

has been hard put to keep in

line with inflation over the past

few years. Outside London, the

Home Counties and selected

parts of the West and Midlands,

new office development has

ground to a complete halt.

MEPC claims to have begun to

look at Manchester recently, but

is doing so "with great caution."

The sluggishness of the dom-

estic market has led most of the

major development companies to

seek work abroad. MEPC,

Haslemere Estates and Laving

Properties are all very busy out-

side the UK, with the main

thrust of their foreign opera-

tions going into the U.S. and

Australia. Something like a

third of MEPC's current devel-

opment portfolio is geared to

foreign work.

At home, in contrast, the fin-

ancial constraints have been far

more severe. Rents and there-

fore revenue have been weak.

On the costs side land prices

have stayed remarkably firm

and interest rates have re-

mained high, making the lend-

ing institutions—pension funds

and insurance companies put up

and management have all combined

to create a very flat demand

Financial Times Friday March 19 1982

OFFICE PROPERTY III



Restoration in Manchester's financial centre by Peter Cox: Midland Bank, King Street and (right) Barclays Bank

Specialist sector finds demand healthy

LAST DECEMBER'S construction forecasts by the National Economic Development Office presented a dismal picture. Only repairs and maintenance were on a generally rising trend since the start of the 1970s.

Even here, a downturn in output of 9 per cent was forecast for 1981 after a rise of 6 per cent in 1980 but, reading between the lines of the report, office refurbishment still showed prospects of contributing healthily to the statistics.

Adverse effects of the recession, said the report, "may be mitigated by requirements for higher standards of property maintenance by institutional freeholders. In the commercial sector," it went on, "renovation may defer or obviate the need for some repair and maintenance work."

Leslie Andrews, commercial director of specialist contractors R. Mansell, concurs. "Office refurbishment," he says, "takes place in a cycle which comes round every 20 years. If you look at the City of London," he adds, "refurbishment is not hard to find; it may be more difficult to obtain, given the difficult times in civil engineering generally, with more people trying to muscle in on the refurbishment act."

Mr Andrews, like most of the other professionals involved in this area, points out however, that refurbishment is a specialist area. One of the biggest jobs Mansell has taken on recently was the Sun Alliance £1.2m contract for alterations and extensions to the company's office building at 27-32 King Street in London's Covent Garden.

Part of the building is listed internally as well as externally. "We are hanging the back end of the building on sky-hooks,"

says Mr Andrews—which means it has had to support most of the upper part of the rear wall while the lower part is rebuilt.

In the end, Mansell is happy to let the figures speak for themselves. The company's turnover has risen from £16m in 1979, through £21m, to £26m last year. Around 75 per cent of that turnover, estimates Mr Andrews, is in refurbishment work.

Mike Warner, an associate in the building consultancy depart-

Refurbishment

WILLIAM COCHRANE

ment of agents Richard Ellis, agrees that when a building is 20 years old it is a fair point to start thinking of refurbishment. That certainly applies now, he reckons, due to the low quality of some of the work in the 1950s and 1960s.

Ellis emphasises that refurbishment is an option. "The real expertise comes in," says partner Alan Forbes, "when you have to cost the options in building terms." Timing is one of the essential considerations, for faster completion means earlier revenue.

He also notes that electronics are blurring the difference between the office and the industrial user, so that some microchip industries are getting up to a 50:50 split between office and industrial accommodation in their "factories"—which offers a faint ray of hope in an otherwise clearly over-supplied sector.

David Gaunt of Hunter and Partners, a Knightsbridge prac-

tice which does virtually nothing but refurbishment—divides office jobs into categories. The first, arguably redevelopment rather than refurbishment in the generally accepted sense of the word, is where there is a listed facade, or one which the local authority is particularly keen on retaining, and a totally modern new building is constructed within an old shell.

Second comes what Mr Gaunt describes as "very comprehensive commercial refurbishment." As an example, he points to a property at 15-17 Knightsbridge in London's West End. Here, Hunter have kept the facade and retained the principal listed rooms on the ground, first and second floors; but they have completely redeveloped the rear with new, modern office space. The result for a cost of £2m, is 30,000 sq ft of office space combining elegance with utility instead of what was—"a grade II listed pair of derelict buildings," as Mr Gaunt puts it.

At 21 Grosvenor Place, SW1, meanwhile, Hunter have been working on a £12m job for Iron Trades Mutual Assurance. The 60,000 sq ft building, erected in the 1920s, overlooks the grounds of Buckingham Palace.

Hunter note that since the various specialist trades concerned in this sort of project are doing a general refit rather than pulling the building apart, it is possible for the occupants to remain while refurbishment carries on on a floor-by-floor basis.

Iron Trades Mutual is an owner-occupier, however. It has been noted by some observers that, where tenants are involved, commercial office refurbishment

tends to take place at the end of a lease, when the tenant may have decided to move out for reasons of space requirements, or simple economics.

Hunter's Mr Gaunt says that this is not necessarily so. There are, he says, still a lot of tenants on very long leases which are both uncomfortable and uneconomic for the landlord. Rather than go back on the market for new space, the tenants here could decide to do a compromise deal with the freeholder—who might be able to pay for the refurbishment, raise his rents from uneconomic levels and yet still give the occupiers what they want at something below market rents.

Back to Richard Ellis, Alan Forbes and Mike Warner demonstrate how, with refurbishment, two and two can sometimes add up to more than four. Gateway House, at Cannon Street in the City of London, was built in the late 1950s when car parking was considered essential by the authorities. By 1973, when a major refurbishment was undertaken, the policy had been totally reversed and the planners "readily agreed" to the basement car park being used for other office purposes.

In addition, the owner of any building built before January 1, 1948 has the right to compensation if the planning authority refuses consent to extend a building by 10 per cent of its cubic capacity, or ten per cent of its area. As local authorities are reluctant to pay compensation, says Ellis, the effect of this legislation is to increase substantially the chances of gaining consent to an increase in the size of a building, notwithstanding the fact that the plot ratio may well be infringed.

Demand is expected for property that can adapt easily to the latest equipment

Hoping for a boost from automation



An office equipped for automation

INFORMATION technology will bring a revolution to the office say the gushing enthusiasts for the technologies available because of microelectronics. Some of the more fanciful ideas on the impact information technology will have on how people work are enough to give anyone with an investment in office property a nightmare.

One vision is that employees will only occasionally need to visit their offices. Each person will have a small computer at home which can be linked with

larger office computers. A camera and television screen will allow video-calls for meetings and conferences. Their telephone can be linked to the company's private automatic branch exchange to give the impression someone is answering from an ordinary office.

Companies will be able to save on office space and employees will be able to save travelling cost and time. While energy costs, space costs and labour costs continue to rise computer technology becomes cheaper and cheaper.

Information technology is the gradual convergence of telecommunications, dataprocessing and office equipment. Theoretically it may mean fewer people performing tasks in the office

population argue observers. Some argue that new technology will lead to a bigger demand for office space because of the greater amount of equipment. Companies may need more people to operate and look after the equipment.

Investment in office equipment to date is minute compared with investment in manufacture or agriculture. In 1978 the average investment for each worker in the office was \$2,000 compared with \$35,000 per worker in manufacturing industry, according to an international study.

A host of companies believe the office is ripe for automation. At the moment the competition is so great it looks like the beginning of a marathons race with hundreds of competitors justing to break away from the crowd. It includes a wide range of companies including computer manufacturers like IBM, Xerox, telecommunications companies like Kerox, telecommunications companies like LM Ericsson, diversifying oil companies like Exxon and a host of tiny, technologically innovative and entrepreneurial companies.

But most offices are not well suited to the new technology.

Frank Duffy of Duffy, Eley, Giffone Worthington, one of the leading firms of architects looking at the impact of office automation notes: "In two to three years time wiring will become a spectacular problem. Most buildings are totally unable to cope."

Few buildings have suitable ducts built into the floor to carry cable, although a fairly common solution is to install false floors. There is also the problem of the vertical routing of cables. Ironically there may be less of a problem in older buildings because higher ceilings leave more room for a false floor and the more solid structures may make it easier to make holes in walls and floors for cabling.

One architect said that buildings which have been adapted for easy installation of sophisticated communications and office automation will be at a premium. Companies will be loath to occupy a building where it will be a problem.

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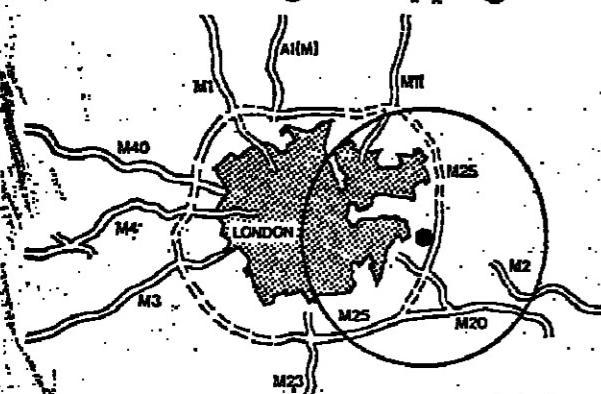
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OFFICE PROPERTY IV

Council sticks to policy of 'preferred locations'

Controls less rigid than expected

IN TERMS of its office planning policy the Greater London Council's bark has turned out to be much worse than its bite. Despite its general dislike of major speculative office developments the Left-wing council has so far approved more office schemes than it has rejected.

Figures produced by the council's officers show in the first 10 months of office the local authority approved 56 office schemes comprising just over 4m sq ft. Over the same period the council proposed 19 schemes totalling 3.1m sq ft. Almost 1m sq ft of this, however, was in a single office scheme—Greycoat Commercial Estates proposed development for Coin Street, on the south bank of the Thames—which has now gone to a public inquiry.

But last May developers were far from sanguine about prospects for office building in London following a Socialist victory in the GLC elections. Their worst fears appeared to have been confirmed by bold policy statements from the council's planning committee such as: "London needs a massive increase in office planning permissions about as much as it needs a Thames flood" and that there is no room for "grandiose speculative development in a Socialist London."

On the Stock Exchange property shares rose rapidly, if briefly, as it appeared that stiff development curbs might result in a shortage of good quality office accommodation, thereby forcing up rents and capital values of existing buildings. Labour councillors say, however, that their aim to give priority to schemes which would stimulate industrial jobs, housing or provide other community gains has been misrepresented as an anti-office policy.

In the event the council's office policy has had, with one or two well-publicised exceptions, only a limited impact on office development plans. Moreover, developers determined to try to find a way through the GLC net, can always appeal to Mr Michael Heseltine, Environment Secretary, the final arbiter in planning matters.

Under planning legislation an

appeal by a developer to the Environment Secretary automatically triggers a public inquiry. Several such public inquiries have been held or are taking place into major and controversial office developments planned for the south bank. Mr Heseltine, however, takes a keen interest in riverside development schemes for London. It is arguable that the Secretary of State may have called in some of these schemes anyway—irrespective of opposition from the GLC.

Mr Heseltine recently decided to call in development proposals for the historic Billingsgate site on the north bank, even though

Issues like St George's, Coin Street and others have tended to overshadow planning issues in London but these cannot be taken as a clear guide of the council's intentions towards office development.

plans had still to be considered by the GLC.

The council's office policy allows room for a fair degree of flexibility. It says it has no general opposition to developments in "preferred office locations" as designated by the Greater London District Plan.

It has suggested to London boroughs, however, that they may like to reconsider the designation of some preferred locations.

The council does not rule out the possibility of office schemes taking place outside the designated preferred locations provided these schemes produce sufficient community gain. This may include some generation of industrial jobs, provision of housing or some other community benefit such as the provision of transport facilities.

The stated policy gives the council a fair degree of licence to approve or reject schemes as it sees fit.

Figures produced by GLC officers show that by the end of February the council had approved nine office schemes in the City, totalling more than 500,000 sq ft.

A similar picture has

emerged in the Borough of Westminster—which includes the West End office market. Here the council has approved 678,000 sq ft of offices. It has opposed one scheme, a 207,000 sq ft development at St George's Hospital, Hyde Park.

The official reason for opposing the St George's scheme was that the site was not included as a preferred office location. It seems unlikely, however, that a Labour council would have accepted a commercial development on a former National Health Hospital site irrespective of its location. In this case the council decided to ignore the advice of its officers.

Issues like St George's, Coin Street and others have tended to overshadow planning issues in London but these cannot be taken as a clear guide of the council's intentions towards office development.

In the City and West End the local authority appears to have taken the view that as these locations are unsuitable for industrial jobs it has no reason to consider most schemes other than on their individual merits. Residential accommodation in these areas is also unlikely to figure highly in GLC priorities.

A slightly different picture emerges in some of the inner London boroughs where the GLC says the need for industrial jobs and for housing is greatest. But even in these areas the council has not introduced a blanket ban on all office development schemes.

In north Southwark three office schemes totalling 158,000 sq ft had been approved by the end of last month. Against this another three schemes totalling 600,000 sq ft have been rejected. This includes about 400,000 of office conversion proposed for the ill-fated King's Reach hotel complex—the office proposal is opposed by both Conservative and Labour councillors.

In Lambeth the GLC has approved 132,000 sq ft of office space in the Brixton area. On the other hand, it has opposed more than 1m sq ft of developments, most of which is taken up by the development plans for Coin Street by Greycoat Commercial.

The land comprises the Esso site on which proposals to build the 500 ft high Green Giant office block were turned down by Mr Heseltine himself after considerable Parliamentary



St George's Hospital, Hyde Park Corner: a 207,000 sq ft scheme opposed

In the planning maze

THE Department of the Environment has been able to show recently that its response time to planning appeals has fallen appreciably, by 30 per cent to a record 17 weeks for deciding written representations. At the same time, however, the fate of several major schemes still seems to drag on in interminable debate.

With delays on such schemes remaining a problem, the attempt by Mr Michael Heseltine, the Environment Minister to speed up the planning decision process on an important South Bank site has been welcomed by developers and, among others, the Confederation of British Industry. Equally, it has roused almost unanimous opposition from the planners and local authorities.

The point now is whether the Government can reconcile these views or, indeed, whether it needs to. Will the element of architectural competition it plans to bring into this new initiative produce schemes to please and even excite their users?

The test case is the 12-acre Arunbridge scheme on the South Bank of Vauxhall Bridge. Arunbridge, a Kuwaiti-backed development project group headed by Mr Ronald Lyon has assembled three individual sites, two of which had already run into considerable planning controversy, on which it hopes to build offices, and some residential and leisure facilities, at a cost thought to range between £75m and £80m.

The land comprises the Esso site on which proposals to build the 500 ft high Green Giant office block were turned down by Mr Heseltine himself after considerable Parliamentary

debate two years ago. Another component is the Nine Elms cold store building, let from British Rail while the third element is the "Etra" site on which a planning inquiry was held last year. A decision on that inquiry is now awaited.

In announcing his decision to hold an architectural competition last November, Mr Heseltine let it be known that should a design of proven merit emerge a special development order would be laid before Parliament.

There is nothing staggering new about either special development orders (SDOs) or

Appeals and competitions

RAY MAUGHAN

architectural competitions. Such contests were used to decide the shape of the House of Commons in the middle of last century. And last December, Mr Heseltine announced a competition for a very central site in London—a 24,000 sq ft plot of land lying vacant next to the National Gallery in Trafalgar Square. The idea is to provide new galleries which will be financed by private development on the lower floors. As such, the scheme would be the first time that planning gain has been used to the advantage of a major public institution in London.

SDOs, too, have been in existence for some time and the principle was last used for the Windscale inquiry four years ago. But Arunbridge is the only occasion where such an order is being contemplated for a major, inner city commercial development.

In an attempt to discover whether the introduction of SDOs linked with competition would receive Mr Heseltine issued a consultative paper to some 30 interested parties last June.

The competition for the South Bank site will be run by a team of assessors. The idea was that the NRA would put up two assessors. Arunbridge would nominate another and the local authority, Lambeth Council, in this case, would name the fourth.

Lambeth, however, objected strongly from the start.

Again, its response should have been predicted since the council had made its view quite firmly in the SDO consultative document.

The authority declined to nominate its own assessor and the competition was left without benefit of essential local planning expertise and detailed knowledge of the council's plans for the surrounding area.

Eight firms have been short-listed and their designs are due to be publicly exhibited next month. Some of the leading developers, under the aegis of the British Property Federation, have twice discussed the principles of architectural competition, backed up where required by parliamentary order, with the Minister. For the moment, however, the industry is watching events on the south side of Vauxhall Bridge with particular care.

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Now get out the calculator and work out how much floor space you are taking up, remembering to add in your share of the corridors and the executive "loo" and you can see why so many industrialists feel they no longer have to compete against the financial sector for City accommodation.

For the occupier the annual rate demand is becoming one of the biggest headaches. With rents the cost is fixed, at least until the next rent review. But rates can be, and usually are, increased every year.

London agents Debenham, Tewson and Chinnocks produce an annual office rent and rates review based on a survey of prime property in 26 centres throughout the country. For the year just ending the Debenham men estimate that the annual rate burden has increased on average by 22 per cent. A pretty high figure, though below the particularly heavy 27 per cent increase for 1980-81. Over the past three years rate increases have outpaced inflation by about 25 per cent.

Clearly there is considerable variation between local authorities. Debenham calculates that the differentials in rate increases have been consistently widening during the 1970s and in 1981-82 the variation reached a peak. In Hull, for example, there was a small decline in the rate charge last year while some authorities put in rate bills higher by up to 40 per cent.

Figures compiled by the Chartered Institute of Public Finance and Accountancy show that the average rate increase throughout the country was 17 per cent. The imbalance between regions can be aptly demonstrated by the Institute's breakdown: Inner London rates rose by 33 per cent for 1981-82, outer London by 26 per cent and the Metropolitan area by 24 per cent. The rate rises in the "shire" counties tended to be far less. The Institute's figures show that the English "shires" rose by 11 per cent and the Welsh ones by 14 per cent.

Outside London the two major centres in Scotland, Edinburgh and Glasgow, put a hard burden on their ratepayers. Edinburgh increased its rates by 42 per cent while Glasgow put them up by 38 per cent. Sheffield was another area where rates rose dramatically this year—an increase of 38 per cent.

Taking in rent increases as well as rates the costs of office accommodation in Sheffield during the nine years that Debenham has been producing its review have increased, in percentage terms, by more than any other centre—a near four-fold increase. Still, Sheffield is a far cheaper place to "set up shop" than the City. In Sheffield that waste bin is probably costing less than £8 a year to sit there.

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OFFICE PROPERTY V

Articles here and on the following page review trends in London and the main regional centres

Inner core remains strong

IN MEDICAL terminology the City of London office market might be said to be suffering from little more than a recessionary chill. Nothing serious to worry about: vital life signs are reasonably strong and healthy and, given time, there is no reason why the market should not enjoy a full recovery.

In general the sector is suffering from lower tenant demand for floorspace at a time when

ft, in modern tower block, actually on the central market." Rents for top quality offices in the banking district are now averaging £23 to £26 a sq ft, with top prices having reached £27 a sq ft. For specialist units rents are higher and for banking hall accommodation rents have already breached £30 a sq ft and seem likely to rise further.

During 1981 demand from overseas banks for representative offices has remained at high levels, but recently there have been signs that some well-established American banks with headquarters on the City fringes may be considering decentralising some of their operations.

Chemical Bank, for example, recently announced that it will be moving some of its operations to Cardiff. The American bank has its London headquarters at Arundel Great Court, at the Aldwych. It has now agreed to take all 56,500 sq ft in Trafalgar House's new office development at 5 Fitzalan Place, Cardiff.

The bank's decision to decentralise is seen primarily as a response to the higher cost of rents, rates and wages in central London. Rents for the Cardiff office block for example are understood to be around 25 a sq ft—well below the cost of similar accommodation in central London.

However, Debenham Tewson and Chinnocks, the agents which, with Walker Son and Packman, handled the Cardiff letting, do not believe that Chemical Bank's move is a reflection of lower demand emerging for offices in the main banking and financial districts.

On the contrary, the agents believe that space shortages have forced expanding overseas banks to look further afield. Previously this has meant moves away from the centre to the City fringes, mainly in a westerly direction.

Certainly the pattern of rent increases throughout the City

number of major new office schemes, mostly on the City fringes, are poised to come on to the market.

During 1981 rents are estimated to have risen on average by between 7 and 10 per cent, somewhat less than the rise in inflation last year. However different parts of the City performed substantially better than others.

According to Richard Ellis, estate agents and chartered surveyors, the highest rental increases occurred in the central banking and financial districts. Rents in the City's inner core are estimated to have risen on average by 10 per cent, with rents for the best located prime buildings rising by as much as 15 per cent.

Rents in the inner core have been underpinned by the continuing high demands for space made by British and overseas banking and financial operations, with new development in this part of the City seriously restricted by a marked shortage of available sites.

Chris Peacock of agents Jones Lang Wootton says: "The shortage of top quality centrally located space is as severe as ever, despite the overall weakening of the market. To my knowledge there is not one single upper floor in excess of 5,000 sq

ft per annum.

FOREIGN BANKS WITH OFFICES IN LONDON

These approximate figures indicate broadly the movement of foreign banks in and out of London, on an annual basis.													
American		European		Japanese		Others		Summary					
Total	Out	Total	Out	Total	Out	Total	Out	Total	Out				
1974	61	1	9	91	15	2	2	86	5	254	1	32	
1975	58	3	—	50	5	23	—	86	2	257	11	14	
1976	57	3	2	97	2	9	23	102	17	280	5	28	
1977	64	2	7	103	2	5	24	1	115	12	306	3	28
1978	63	1	5	110	1	8	25	—	129	2	331	4	28
1979	72	2	6	123	1	14	25	—	137	3	356	6	31
1980	71	2	1	141	3	21	25	—	147	3	332	7	35
1981	73	1	3	148	2	9	25	—	154	5	324	8	31
1980-81	13	78	17	138	—	16	15	139	44	371			

Source: Noel Alexander Associates.

Underlying tone seen as firm

West End
RAY MAUGHAN

NO MATTER how the overall economy performs this year in response to the Chancellor's Budget, prompting, in the property sector in particular, the West End office market is expected to remain quite firm.

In a recent property market survey, St Quintin notes that rapid rental growth has occurred for prime locations such as Pall Mall, the fringe areas of Mayfair and now Covent Garden.

Looking particularly at air-conditioned premises, another estate agent, Leslie Lintott and Associates, notes that the

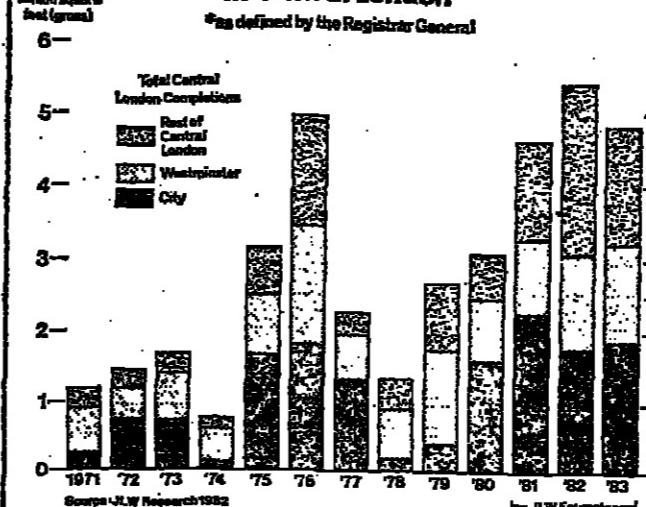
amount of space available in the West End area has remained "fairly consistent since July of last year at around the million sq ft level although during that period approximately 541,000 sq ft have been let."

The firm's analysis of asking rentals on a three month rolling average basis shows that the average has risen from £16.04 per sq ft to £19.71 per sq ft between January 1981 and the beginning of this year.

In St James's, agents Weatherill Green and Smith recently had the rare distinction of selling two freehold premises within the space of a few months. Hard-hitting industrial giant, Tube Investments quit its prestige headquarters at Bridgewater House, Cleveland Row. The buyer paid about £10m for 58,000 sq ft. The same client purchased the 36,000 sq ft offices of the Junior Cavalry Club for some £9m.

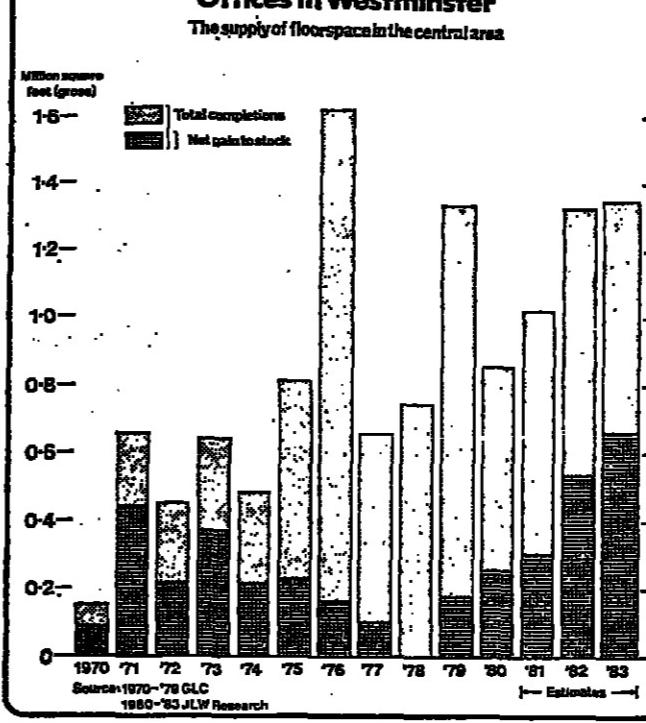
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Timely revival as big projects line up

DEVELOPERS ARE beginning to show renewed interest in Birmingham's prime office centre as rents continue to nudge upwards. The £7 a sq ft mark has already been broken in the area favoured by the financial community bounded roughly by Waterloo Street, and Colmore Row.

A key test of the market will be St Philips House; a 24,000 sq ft office development includes a 3,000 sq ft banking hall for which agents Shipway Doble are thought to be seeking a rent of over £8 a sq ft.

Recession brought an obvious slowdown in development but if anything there is a shortage of large modern accommodation. But the position could change drastically. Tarmac Properties is starting construction this month of a 120,000 sq ft development and a handful of other large projects could begin this year or next.

The next big new building due for completion is Berwick House, a 55,000 sq ft development by Ulster Properties on

the corner of Great Charles Street and Livery Street. Although just outside the prime financial area, a rent of around £6.50 a sq ft is likely to be sought.

A similar rent is expected to be achieved for Civic House, an 80,000 sq ft project by Norwich Union at the corner of Great

Birmingham City Council. Rank City Hall is ready to go when the time is considered right for a 120,000 sq ft project near to New Street Station. Advance tenants are being sought for Compass House, a 17-storey office block with an adjoining smaller development. Heron Corporation won the tender put out by Birmingham City Council for a scheme to complete the Paradise Circus development. About 98,000 sq ft of offices are included in the first phase of the project which will eventually provide double that amount of commercial accommodation in addition to a 200-bedroom hotel, shops, leisure and conference facilities.

Secondary sites within the inner ring road have fared less well and around 130,000 sq ft of fairly modern accommodation is available. Rents will clearly vary according to the age, accessibility and size of the offices but range from £2 per sq ft for 1960s blocks to perhaps £3.50 for newer property.

Birmingham City Council

Rank City Hall is ready to go when the time is considered right for a 120,000 sq ft project near to New Street Station. Advance tenants are being sought for Compass House, a 17-storey office block with an adjoining smaller development. Heron Corporation won the tender put out by Birmingham City Council for a scheme to complete the Paradise Circus development. About 98,000 sq ft of offices are included in the first phase of the project which will eventually provide double that amount of commercial accommodation in addition to a 200-bedroom hotel, shops, leisure and conference facilities.

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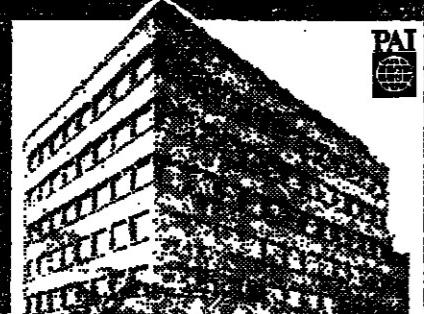
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OFFICE PROPERTY VI

Prime sites prove more resilient to recession than many fringe areas

Setback to growth rate

A DEEP and lasting recession has inevitably hit the level of tenant demand in virtually all sectors of the market. Negotiations are becoming tougher and more protracted as a reduction in demand coupled with a modest increase in available accommodation has lead to a position of oversupply in many regions. As a result, rental growth in most areas has either ceased or slowed to a level below the rate of inflation. It is hard to imagine that the trend will improve during the coming year.

Even the City of London—one of the most resilient of office markets—suffered from a slowdown in the level of demand, an increasing amount of surplus property and sluggish rental growth in all but the very centre. Still, against other areas London is looking relatively healthy.

In the City, office rents have risen by between 7 and 10 per cent on average against an increase in 1981 of over 10 per cent. Not surprisingly the biggest increases were recorded in the inner core—the prime area occupied by the financial sector. The banks in particular seem to have insatiable appetites for accommodation. This demand stems from an expansion of the international operations of the UK domestic banks and a steady flow of overseas bankers coming to the UK. Such demand has ensured that there is an almost continuous shortage of prime office space and therefore it is these areas which have recorded the highest rental growth figures. Increases of 10 per cent during 1981 were commonplace while gains of up to 15 per cent for prime locations have been achieved.

In top notch locations, good air-conditioned office space can go for £27 a sq ft and tenants for accommodation with an asking rent of between £25 and £28 can be found without too much difficulty. In rather special circumstances rents of up to £50 a sq ft have been rumoured—but these, if they have actually been struck, are deals where the tenant is interested solely in location regardless of cost.

to say, 15 per cent. With £27 a sq ft now an established benchmark for a prime City site the end of 1982 could well see £30 becoming the norm. That figure has already been achieved in a very few lettings but because of the psychological barrier rentals may have a hard time struggling much above £30. Still, agents Richard Ellis are confident of their projection that office rents will reach £40 to £45 a sq ft by 1985. And if prime City accommodation can keep moving ahead by 15 per cent a year they might well be proved right.

Outside the City of London the office market is open to wide regional variations. Local rent levels are determined by short-term supply and demand equations rather than any wider economic "state of the nation" type considerations. Clearly supply is influenced by wider factors but in some towns rents have seen considerable growth over the last couple of years solely because of a lack of new development rather than any underlying surge in demand.

Bristol's history provides a classic example. Throughout the Sixties and early Seventies rental levels were showing fairly steady growth. But as companies increasingly decentralised away from London, Bristol became an increasingly favoured area. From about £1.50 a sq ft in 1973 rents shot up to well over £3 in 1974. But as the sharp upsurge in demand worked through, the developers jumped on to the band wagon. In 1974, over 1m sq ft of new development was completed, twice the previous peak. The result—supply exceeded demand and rents held unchanged and then actually fell back to nearer £2.50 a sq ft before the surplus was taken up and the much

Moving north, Leeds is one area where the developers have overdone it. Rents have barely moved over the past 12 months. An electricity workers' pension fund scheme with 400,000 sq ft of space is vacant and further developments are coming along which could add another 100,000 sq ft over the next year. All this for a market which normally sees an offtake of around 200,000 sq ft per annum and last year was down to around 100,000 sq ft. It is

reduced level of new development allowed rents to start rising again.

Rents in Bristol are up to £6.50 a sq ft and again they look set to level out. Supply is building up to a pretty substantial level, according to agent Richard Ellis.

Nearer London, Reading has proved one of the most attractive areas for companies moving out of London and for international companies moving into the UK. Well-placed, within the so-called "golden triangle," Reading office rents have climbed to around £12.50 for prime air-conditioned space. Again a fair amount of development is coming on stream and some institutional funders are beginning to take a more wary stance. The Thorn EMI Pension Fund development is believed to be pitched with an asking rent of £14 a sq ft.

In between the two, Swindon has shown fair rental growth in recent years. The local authorities have been especially adroit at keeping supply and demand in balance. Rents are typically £7 a sq ft though Commercial Union, which has just completed a 60,000-sq-ft second phase, is understood to be thinking in terms of rent in the "middle to late sevens."

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Hugh Radford
The National Westminster tower in the City of London—the financial sector keeps the demand for prime sites buoyant

a well-established centre for the north-east but Leeds is going to suffer with an oversupply for some time and for the next year or two rents are going to be hard pushed to climb much above their current £5.50 level. Newcastle has seen a fair amount of development in

recent years, but it's not a fast-moving market and while it's a sq ft it has been achieved in a year. The local authorities have been especially adroit at keeping supply and demand in balance. Rents are typically £7 a sq ft though Commercial Union, which has just completed a 60,000-sq-ft second phase, is understood to be thinking in terms of rent in the "middle to late sevens."

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Small units stay in demand

AN IMPROVEMENT in the supply of office space in Glasgow has dispelled fears that the city would face a shortage by the mid-1980s. In fact on present trends the view now is that there is more likelihood of excess capacity.

On average about 250,000 to 300,000 sq ft of office space comes on the market in Glasgow every year. Most of the lettings at the moment, however, are on a small scale consisting of suites of 2,000 to 3,000 sq ft.

During the past year new space coming on the market rose sharply to 282,000 sq ft compared with the depressed

level of 68,000 sq ft in 1980. This has led to some sceptics in the property market taking the view that the amount of office space under construction or in the pipeline could now actually result in a surplus by 1985 or 1986.

The key development in terms of office space has been the construction of the British National Oil Corporation's new headquarters in Bothwell Street. The new HQ will provide office space of 450,000 sq ft by the end of 1985 or 1986, on a different site but still in Bothwell Street. The move will make available about 300,000 sq ft, about the average of a year's new office space in Glasgow.

In the prime downtown area six other office block projects are under way. They include 37,000 sq ft at 128 St Vincent Street, 30,000 sq ft at 128 St Vincent Place, 25,000 sq ft at West Regent Street, 22,000 sq ft at Charing Cross and 17,500 sq ft at 198 St Vincent Street.

The big insurance companies are among the main developers of prime sites with Scottish Provident, Equitable Life Assurance Society and Scottish Amicable

What has possibly worried the sceptics about oversupply in future has been the sheer size of office development projects for the city.

Developments. Commercial and Industrial (Scotland) plans an office shop complex in a prime central location on the corner of Argyle and Hope Streets. The developers have planning permission to begin construction and the project will offer the city an additional

30,000 sq ft of office space. They hope for completion some time in 1983.

Rents are at a record level of £6 a sq ft, fractionally more for prime locations.

Quality refurbishments fetch £5 a sq ft while older property and more peripheral locations command rents varying from £2 to £4.08.

Lambert Smith in a look at the Glasgow once market last June noted that construction costs had been held down because the building industry was operating well below capacity. The report noted the move towards refurbishments in the city. Restoration work has brought back much of the charm to older parts of the city.

Kenneth Ryden and Partners in their January property review noted that in terms of investments the institutional market remained firm with considerable interest shown in the small number of prime developments that became available. The market appears to be unaffected by the recession with funds buying for long-term growth rather than short-term gain," the review noted.

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Testing time for market

THERE ARE some paradoxes in Manchester's office property market. The recession has hit the take up of space in some sectors but overall the past 12 months have witnessed a general level of activity that has shown virtually no downturn from the previous year.

At the same time, very little good quality newly-built offices are coming on the market and as a result the city has probably more than a year's supply of empty office accommodation. Major tests of the market's buoyancy though will be the speed with which two medium-sized office developments now on the market are taken up.

The city has maintained its take up rate of about 350,000 sq ft a year. There is probably under 500,000 sq ft available and although developers have been at work over the

past few years the amount of new accommodation under construction is relatively small.

Very few owner occupier offices have been constructed in recent years. A good proportion of what has been built has been centred on the prime location of Wilmslow south of the city in Cheshire. The new headquarters for the Whitecroft group is the most obvious example. The vast bulk of new office space has been speculative for letting in the open market.

In general, rents have doubled in the past five to seven years. For new buildings in the city centre they have reached £5.50 to £6 per sq ft, an increase of £1.50 over the past 18 months.

That is now broadly in line with the asking rents for the biggest new office block on the market—the 100,000 sq ft of space in Heron House, Albert Square.

That development was due to house part of the city's local authority administration which eventually decided against the move. Next to it, the Royal Liver development has been let to Commercial Union—the first pre-letting of any size in the city for many years.

Suburban rents have reached £5.25 per sq ft for small units and agents report that £4.50 has been easily obtainable for whole buildings. The exception to the pattern of generally lower suburban rents is Wilmslow outside the immediate city boundaries which with good shopping, communications, car parking and housing now has property on the market at £6.50.

Refurbished accommodation has been left behind a little in terms of rental growth, however. Some agents say that Manchester will never again see major office and commercial development such as the Arndale Centre in the heart of the city. The speed with which Heron House and the 40,000 sq ft penthouse near Spring Gardens are rented could also determine how soon new medium-sized ventures are planned. The latter is widely expected to be let shortly leaving only Heron House available in that bracket size.

There are some major sites however which could be developed. One is the old Central Station location for which a number of grandiose commercial schemes have been conceived. One overall development plan costing £120m and including an exhibition centre and hotel has been proposed by the Metropolitan Council. Others are the old cotton warehouses around Whitworth and Princess Streets.

One change that is likely to affect office development is the City Council's planning policy. Agents say that there has been a very noticeable shift in the council's attitude towards city centre parking. Where once it resisted the creation of new parking facilities linked to office development it is now much more lenient and in some ways encouraging.

This, to some extent, has been forced on the council by the relative attractiveness of outer locations such as Altrincham, Sale and Cheadle Hulme on the edges of the city where offices of say 12,000 sq ft may have parking space for 20 or 30 cars.

Like so much of industry and commerce, property agents and developers point to the rates burden as an important factor in the speed of renting. Most appear worried at rate increases within the city.

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TECHNOLOGY

EDITED BY ALAN CANE

Debut for UK's miniature oscilloscope

BY DAVID FISHLOCK, SCIENCE EDITOR

PROFESSOR CYRIL HILSUM, chief scientific officer at the Royal Signals and Radar Establishment, Malvern, tells a story to illustrate the importance of backing bungles in science. In the late 1960s, when Malvern had persuaded the Government to support a research programme on novel electronic displays, a report was drafted proposing that the main effort should be focused on ferrite (magnetic) displays with a smaller effort on liquid crystals at the outsider.

At the 11th hour, Prof Hilsum switched the emphasis to make liquid crystal (LC) displays the prime target. Today, Britain is earning about £500,000 a year in royalties from the worldwide market for LC displays, chiefly for Japanese digital watches and calculators.

Malvern, with the help of Hull University, perfected a new family of far more stable chemicals to use as liquid crystals. Meanwhile, the magnetic display seems to be dead. This week, Malvern's pioneer-

ing work in developing the LC display took another major step forward with the commercial debut of what it believes is the world's first oscilloscope with a flat screen instead of the customary cathode ray tube.

From a prototype originally demonstrated by Prof Hilsum's displays group, Scopex of Letchworth Garden City, specialists in oscilloscopes, have developed a portable instrument that needs only 15 volts to drive its display, instead of the high voltages of the CRT.

The result is a rugged plastic pack weighing only 2.5 kg, as convenient to carry as an Avo, which can be used to look for trouble in factory, garage or hospital environments where a risk of explosion has previously excluded the oscilloscope. Shock and acceleration cause no problems, the maker says.

Its display is a screen 10 cm by 6 cm, with the curious characteristic that waveforms become more, not less, readily visible as ambient light becomes brighter.

To quote Prof Hilsum: "The display matches the eye, while the electronics match the signals—a sensible arrangement ergonomically."

One member of Malvern's displays group, Mr Paul Holland, joined Scopex as a director of digital technology to help transfer the LCD technology. Another, Dr Ian Shanks, stayed close to the project at Malvern. Between them, they designed an LC display with such features as storage which grace the more expensive conventional oscilloscopes.

The key innovation, Scopex has licensed from Malvern, is a new drive system for LC displays, which uses the essential simplicity of the information an oscilloscope is displaying, namely the shape of a wave.

To quote Dr Shanks, the drive method uses row and column drive waveforms which are divided into discrete time periods. In each period the drive waveform may have one of only two possible values of voltage, zero or something else

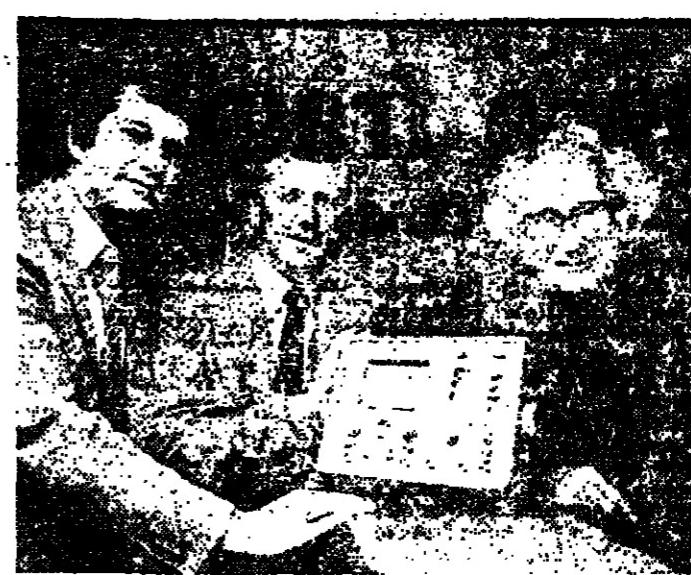
typically 15V. These are, respectively, the logic states "0" and "1" respectively. The drive waveforms thus consist of a sequence of logic zeros and ones which repeats after 0.03 seconds.

Such waveforms can be generated from standard CMOS logic circuits without need for special driver display circuits.

The LC displays themselves are manufactured to Scopex's specifications by two specialist UK companies, Lucid Displays (GEC) and Racal Research.

The Voyager represents "the first really major change in the design of oscilloscopes since they were invented in 1931," Dr Shanks claims.

With the help of a silicon chip random access memory (RAM), it can store waveforms with the instrument switched on for up to eight hours, and switched off for up to 100 days. It also has what Prof Hilsum calls a "Dr Who control" which captures and stores isolated events and allows the viewer to look back to see what might have triggered the event.



Paul Holland of Scopex (left) and Dr Ian Shanks and Professor Cyril Hilsum of the Royal Signals and Radar Establishment, with the Scopex Voyager oscilloscope.

Scopex has a non-exclusive licence for the LC technology, as a result of an introduction by the National Research Development Corporation (now British Technology Group). It was the only one of a dozen UK companies approached by NRD to enquire interest in an advanced-technology oscilloscope.

Mr Jim Cope, managing director of Scopex, reckons that the privately-owned company has invested about £150,000 in the development, out of profits on its conventional oscilloscopes.

Last autumn he raised a £400,000 bank loan from Barclays—less than he wished, he acknowledges wryly—to finance initial production of upwards of 100 Voyagers a week, together with further development of a range of LC oscilloscopes.

His initial targets will be

the laboratory market for storage oscilloscopes, and the markets for portable, trouble-shooting instruments in environments which forbid high-voltage tools.

He claims that, at a price of £2,500, Scopex is "providing the technology of liquid crystals almost for nothing."

Jim Cope admits that he sees the displays group at Malvern—spending about £750,000 a year, mostly on LC displays—almost as his long-range research laboratory. Ideas being developed

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A PORTABLE tile saw for floor, wall and roof tiles up to a maximum thickness of 40mm (1½ ins) has been announced by Errut Products of Speedwell Industrial Estate, Staveley, Derbyshire (0346 473232).

The unit weighs 20kg and can be transported in a case which doubles as a 4.5 gallon water container. The water is fed to a 230mm diamond blade by a self-priming pump.

The roller mounted cutting table can be adjusted to an angle of 45 degrees for mitre cuts.

Mr Ray Caulfield is the man to contact at Errut's London office (01-205 9773).

Servo-motors

CONTRAVES Industrial Products, Moulton Park Industrial Estate, Northampton (0884 48201) has introduced a range of DC servo-motors. Two series, offering a choice of eight models, are available.

Automated feeds for presses

ROBOTICS is the "in" word these days. But what small and medium volume manufacturers want is real low-cost automation which they were promised during the white heat of technological revolution days of yester year—and which, somehow, failed to do more than poke its head round the corner.

Those doing press work probably feel more let down than most because even today the method has hardly changed since the beginning of the century.

A blank piece of metal is put under the press, the guard gate is closed to prevent accidental injury, a foot button is pressed and down comes the press for the first operation. The developing component is then passed to the next power press, and so on until completed.

Les Dyche, a design engineer, thought a lot about how to change this while he worked to establish his own business under the arches of Snow Hill station, the old Birmingham railway station.

After a six-year spell in South Africa he now has a small factory at Tamworth, Staffs, and some new, and updated equipment for automating the feed to power presses.

Basic costs range from £1,700 to a maximum of about £4,000 to transform even 30-year-old presses without, however, the need to alter their tooling. The outlay is often recoverable in a few months.

The versatility of the system is illustrated by the wide range of components that can be made, from lock parts and cutlery blanks to gear wheels and filing cabinet slides, in sizes up to 12 ins square, but with a near future ability to go to 15 ins. Because the feed mechanism can be changed in 15 minutes the system is especially suitable for short runs.

The method of operation and devices used are so simple they fall within the "Why didn't I

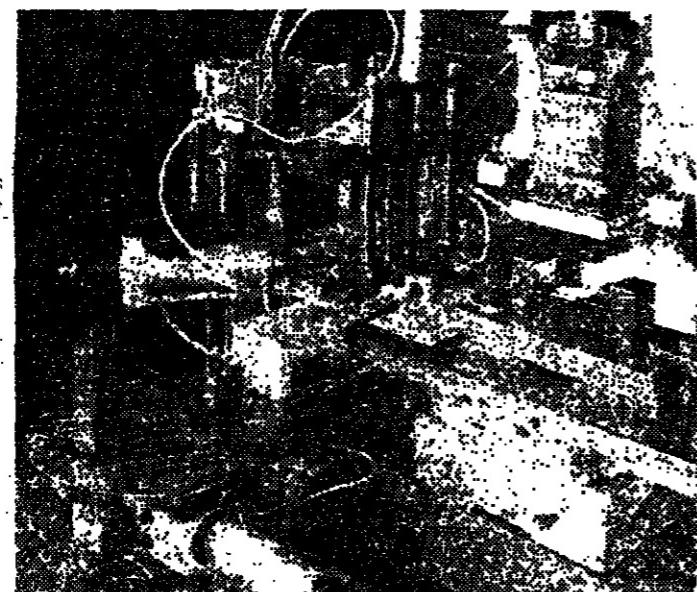
think of that before" category. Air-actuated mechanicals are used so that the operator can not only set what is going on but make adjustments and repairs if necessary.

A number of different feeds are available. One of them is a feed plate at the far end of which is a space into which the blank is fed from a hopper. The plate is shot forward on the up stroke of the press and placed correctly, at the same time pushing the component on to the next station.

A piston under the plate then lifts it just clear of the blank and retracts it for another blank to fall or be put into the space. An output of 40 a minute is being achieved against 14 manually—and the operator has time to feed a second machine.

There are pick and place feeds in which the component is picked up by vacuum and released in position by a sharp puff of air. Or it can be done magnetically in appropriate instances. A feature is the

PETER CARTWRIGHT



A close-up of a turntable magazine with reserve stock for automatic feed to the press.

Temperature calibrators for diesel, turbine checks

TWO temperature calibrators designed for checking large diesels or turbines have been announced by E. V. Johansen of Denmark, and are available through Hunter Agencies, New-

castle upon Tyne (0632 810377). Johansen claims that the EVJ 200 and 600 have resolved the problem of frequent calibration for such instruments. The models cover the

range up to 800 deg C and, at seven kilograms, are highly portable.

Both offer digital read out and have dispensed with ordinary mercury thermometers.

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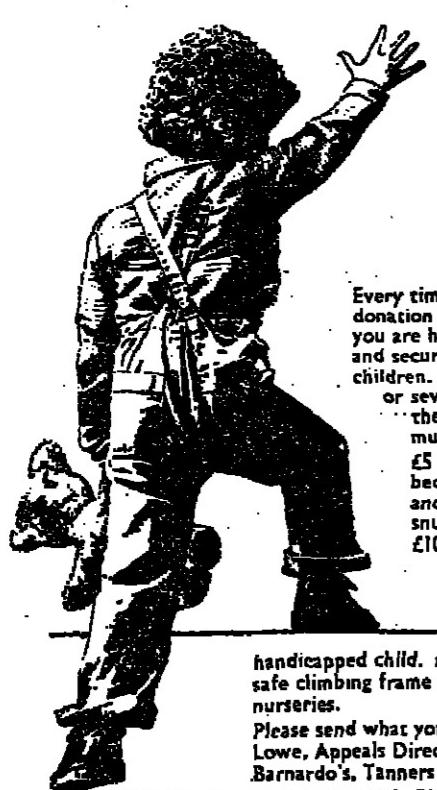
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This advertisement is for the Sugino Type ESB electric drill.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How a fragile jigsaw is being pieced together

Christopher Lorenz examines the painstaking integration of Pilkington and Flachglas

Takeovers are far trickier than many companies realise. No amount of sophisticated searching for the ideal acquisition candidate, nor financial wizardry in the deal itself, can compensate for inept handling of the prolonged integration process which then has to follow.

When the parent and its new subsidiary are in different countries, with contrasting corporate cultures, the stakes are raised still further. Add to this the parent's inability to exert direct managerial control, because it does not hold all the subsidiary's shares and you face potential disaster.

THE achievements of the most active sub-committee, Finance, have been "brilliant," according to Pilkington's deputy chairman, Denis Cail.

Chaired by the group chief accountant, Peter Grunwell, the sub-committee has had to work to a punishing schedule from the very first weeks after the acquisition.

Its initial task was to overcome the myriad of differences between British and West German accounting practices so that an amalgamated form of consolidated accounts from Flachglas could be included in Pilkington's half-year statement in November. The process was complicated by the fact that the companies have different year-ends: Flachglas in December, Pilkington in March.

This had to be followed by the tortuous process of bringing the German company's reporting procedures and controls into line with those of its new parent. Though considerable progress has been made, a number of contentious issues still have to be resolved.

In the main, these result from the fact that, though neither company follows a very formal approach to strategic planning, Pilkington's operating procedures and controls are more formal and comprehensive than those of Flachglas. As befits a much larger company with a wide spread of interests in remote parts of the globe, "we're fairly sophisticated and our board is a great reader of financial documents," according to Grunwell.

Several tricky problems had to be resolved in the space of just three months of the first sub-committee meeting. They

Such was the challenge facing Britain's Pilkington Brothers when in June 1980 it bought a 62 per cent stake in Flachglas, West Germany's leading glassmaker, for £14m. Last Friday we examined the strategy behind the deal, and the way it was executed, while Monday's article outlined Pilkington's "softly, softly" approach to the integration process. Today's concluding article looks at the detailed problems that have confronted five joint sub-committees which the two companies formed to transform the takeover from a paper deal into a properly co-ordinated reality.

included the discrepancy between the two companies' treatment of assets and depreciation; Flachglas still values on the basis of historic rather than replacement cost.

Flachglas's handling of reserves and pensions provisions also differed markedly, and had to be adjusted for the British accounts. But it was consolidation itself which presented the biggest single problem.

It was only last November that Flachglas began submitting the standard Pilkington bi-monthly forecast of performance versus budget; the German company had always confined its formal budget monitoring procedure to a half-yearly exercise, though more frequent reviews took place informally.

Other examples of the progress which has been made since mid-1981 include an agreement on how the Flachglas group and Pilkington will exchange capital expenditure data; previously Flachglas did not include its subsidiaries.

The sub-committee has also spent considerable time on such matters as comparisons of capital investment appraisal techniques, the compilation of a dictionary of terms, and discussion of relationships with the UK stock market.

The work of that first few months made it easier for the German company to conform with the monthly reporting format which all Pilkington's subsidiaries make to headquarters. Covering return on sales, return on capital, and cash position, these began to

ANATOMY OF A TAKEOVER



flow early last year, as did the standard bi-monthly chief executive's report which all Pilkington companies submit.

Up to the end of 1980 the sub-committee met monthly. But work on consolidating Flachglas's year-end figures, followed by Pilkington's need to concentrate on putting together its own accounts after the end of March, "rather dominated the first half of 1981," says Grunwell, slowing the pace of meetings to a roughly quarterly cycle and delaying further progress on reporting and controls.

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The sub-committee has also



Denis Cail

Peter Grunwell

Geoffrey Iley

Taking the heat out of glassmaking: as crucial a business for top executives as for the production worker

not only have to be approved as part of the capital expenditure budget, but also have to be justified individually when the expenditure is about to be committed.

The issue was first raised in terms of Flachglas having to move into line with its parent's procedure. But this suggestion provoked strong resistance from some of the top German executives, as did the notion that Flachglas should accept the established Pilkington group formula that any expenditure of over £2m must be submitted for approval to the general board in St. Helens.

The German objections were expressed in proud yet practical

terms, such as "that may be all very well for Pilkington's existing subsidiaries, but not for someone as large and financially strong as we are." Or "Don't forget that Flachglas finances itself, without getting a penny from St. Helens." To which one Pilkington manager retorts: "This may be true at the moment, but that doesn't mean it always will be."

A compromise formula on two-stage controls was finally agreed just before last Christmas, 15 months after the question had first been raised.

Proposed acquisitions will continue to go to the supervisory board, but now backed up with a Pilkington-style evaluation. The annual capital expenditure budget will be broken into individual items of over £20,000 and—in an informal exchange of data—"these will be referred to the relevant sub-committees, which will have capital expenditure as a standing item on their agendas at their bi-monthly or quarterly meetings. Flachglas itself will also continue to

those of longer-term co-ordination and control. But it remains to be seen whether they can operate effectively when really contentious issues arise, or whether a more formal set of controls will be needed eventually.

Six months ago, the members of the financial sub-committee were also involved in an intense debate about the Pilkington principle that roughly 80 per cent of its subsidiaries' net profits should generally be paid out in dividends.

One Flachglas manager claimed that it would have been "contrary to West German share legislation" to make a payment of 60 per cent in 1981; this would have meant that shareholders were "eating into the company's capital," he maintained.

Fortunately for relations between the two sides, the issue seems to have become one of principle only when Flachglas' earnings are booming, as they did in the year in question.

The company's past record shows that its two boards have been prepared to accept a payout of 60 per cent or more when profits are depressed, as they were between 1976 and 1979, when Flachglas was investing heavily in its belated transformation to float glass production.

Its earnings have slipped sharply in the past year, under the impact of the West German recession and stiffer competition, so the issue does not have to be resolved immediately, much though the hard-pressed Pilkington would welcome a greater injection of dividends from Germany.

In the meantime the parent company has accepted that a quoted subsidiary cannot tie its dividend immutable to a level which may fluctuate sharply, and that dividends discussed on a year-on-year basis.

The only other sub-committee to have started having a concrete effect only weeks after the takeover was Production. Within days of its first meet-

try, and contends that the emphasis on training (at all levels) and top management commitment must be emulated by Western companies; proposes actions for implementing quality control changes, and warns against "pseudo-solutions" e.g. attempting to defeat competition by legislation rather than in the market-place.

These abstracts are condensed from the abstracting journals published by Amber Management Publishing.

P. F. Drucker in *Across the Board* (U.S.), Oct 81. Argues that business ethics do not reflect general ethical values: with a wealth of historical detail and modern parallels, develops concepts of "ethics of organisation."

Global competitive pressures and host-country demands. Y. L. Doz + others in *California Management Review* (U.S.), Spring 81.

Looks at host-country pressures on multinational corporations and demonstrates how a local strategy which runs counter to an MNC's overall policy may have to be followed; gives examples of how unnamed MNCs leave decision making sufficiently flexible to cope with changing emphasis between local and global issues in particular countries.

The use of scenarios in planning. H. E. Klein + R. E. Linneman in *Long Range Planning* (UK), Oct 81.

Examines the use of multiple scenario analysis in corporate planning in U.S.: reports that companies have rejected formal methods of scenario-generation on the grounds that they are too complex and time-consuming.

Product quality—a prescription for the West. J. M. Juran in *EOOC Quality* (Switzerland), No 3/81.

Traces strides made in product quality in Japanese indus-

strength of German demand also discouraged Flachglas from following Pilkington's lead into flat glass plant.

The West German court's insistence that existing competition between the two companies should be maintained has proved to be less problematic than expected. In the current state of the market an agreement not to compete with each other would not necessarily mean the business would go to the sub-committee's work "has been our attempt to compare our technical performance."

As Monday's article explained, it is an immensely complicated process, thanks to the contrasting organisational structure of the two companies, and the differences between their factory layouts. This applies even to a comparison of such apparently simple matters as the quality of raw materials, their melt rates, the thermal efficiency of the plants, and production yields.

As a result, it was only last summer that analysis began of overall production costs. Until these are agreed most comparisons of the two sides' production efficiencies will remain impressionistic and subject to interpretation.

The same applies to much of the work of the Safety Glass sub-committee, where Geoffrey Iley, its chairman, admits that Flachglas has been more effective than Pilkington at using numerically-controlled machine tools from outside suppliers.

On the other hand, he claims that in other respects the efficiency of Flachglas's safety glass manufacturing is "not markedly better" than that of his own company, Triplex. This obviously applies only to factories where Triplex and Flachglas have comparable production lines: in laminated windscreens, for example, Triplex is just beginning to spend £3m on modernisation at its main UK plant, which will help bring productivity up to the German level.

One of the findings is the welcome one that, as in the marketplace, there is relatively little overlap between the two companies. Over half Flachglas's research and development is geared towards particular products, whereas over two-thirds of Pilkington's is directed at basic manufacturing technology.

But an equally significant part of the work of Robinson's sub-committee has been the drafting of a legal agreement for the exchange of technical know-how between the two sides. Like much of the work of the finance sub-committee, this has been made necessary by the fact that Flachglas is not a wholly-owned subsidiary.

Just as Flachglas's minority shareholders might have objected if its glass coating technology, for example, was transferred free of charge to St. Helens, so Pilkington was loath to hand over all its flat glass technology for free—not to speak of its heavy investment in fibre optics and other electro-optical technology. So Pilkington has insisted on some form of payment contract.

Some Flachglas executives claim a "technical assistance" agreement is unnecessary and that their own technology is sufficiently strong to justify an "open door" exchange. On the other hand, Pilkington argues that the German company's R and D would have to be raised to make it proportionately equal to its own.

A form of cross-licensing was discussed, but the two sides have now devised a formula which will "balance" the two companies' contributions to R and D. Before it can take effect, however, it must be approved by both sides' auditors and the authorities, not to speak of the Flachglas supervisory board. Only then will the two companies be able to start organizing a joint R and D programme.

Rescheduling—bankers' jargon for broke?

The Economist's annual International Banking Survey, just out, takes as its central theme the growth of the relatively modern phenomenon of country debt rescheduling and looks at some of the implications.

First, for the relationships between banks, central banks and their governments. Rescheduling undoubtedly puts a strain on the delicate balance between them. The result of this may be for banks to become more politicised. The survey will look at whether, and how, this can be avoided.

What are the lessons of history? Experience with rescheduling countries' external debts over the past two decades—an accelerating phenomenon—is examined.

Case histories. How have countries like Poland, Brazil, Iran and Rumania coped with their foreign debt crises? More to the point—how have the banks coped?

What are the actual mechanics of rescheduling? How much do banks hide behind the skirts of their own governments—often doing their own rescheduling in the "Paris Club"? Cannot the process be made more efficient and less exhausting for all participants?

Risk. Have the banks learnt how to spot high-risk country borrowers? Have they got the nous and nose to judge country risk?

International agencies. Is the role of the IMF in rescheduling bank debts too great or too small? Should there be more World Bank co-financing?

Accounting. The implications of doubtful rescheduled debts on the balance sheets of banks around the world are substantial. How are provisions for such eventualities made?

The future of the Euromarkets. Will recent events in Poland and elsewhere make bankers more nervous about international lending? Will this bring about even more rescheduling?

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Friday March 19 1982

The nuclear riddle

NUCLEAR disarmament is far too serious a matter to be made the subject of purely public relations exercises. Yet that is what President Leonid Brezhnev of the Soviet Union came close to doing with his latest proposals for limiting theatre nuclear forces or intermediate-range nuclear rockets in Europe.

The Soviet leader offered to freeze, at its present level, the deployment west of the Urals of his SS-20, SS-5 and SS-4 launchers, provided the West scrapped its own intention to deploy Cruise and Pershing II missiles in Western Europe. He even offered to withdraw some of his rockets behind the Urals.

Conventional forces

In making this proposal, Mr Brezhnev assumed that East and West had roughly balanced forces of that kind in Europe. To arrive at that balance he threw the French and British nuclear forces into the calculation, along with the so-called Forward Based Systems, meaning aircraft capable of carrying a nuclear bomb from Nato territory to the western Soviet Union. He did not count his own aircraft with nuclear positions east of the Urals.

The two sides of the equation are therefore not consistent. It is a technique that the Russians have adopted on other occasions. At the Vienna talks for Mutually Balanced Force Reductions, Moscow also assumed a balance of conventional forces—balance whose existence the West firmly denies—and proposed proportional cuts on both sides. In the Western view in both cases—that of MBFR and of the intermediate-range missiles—the cuts proposed from Moscow would merely serve to cement Soviet superiority.

That Western argument is sustained by the fact that it is not the first time that Mr Brezhnev has based proposals on the hypothesis of a nuclear balance. He did so as long ago as 1978; yet since that time has deployed west of the Urals at least 250 and possibly 300 SS-20s.

It is therefore legitimate to conclude that his latest offer is directed principally at the European peace movement, and above all at the forthcoming congress of the West German

Social Democratic Party. A vocal minority in that party is unconditionally opposed to the deployment in Germany of Cruise and Pershing missiles.

It would be idle to pretend that the West has not engaged in public relations gestures of its own. The agreed Western position for the Geneva talks is the so-called zero option. If accepted, it would forbid the deployment of the new intermediate range missiles in Western Europe and commit the Soviet Union to dismantling its equivalent land-based launchers.

That commitment would apply not only in Eastern Europe but also in the Asian parts of the Soviet Union.

The zero option is unacceptable in Moscow and the West knows it. But the reason for proffering it is not merely the wish to go to Geneva with a popularly attractive maximum demand. The West wants it to apply to the area east of the Urals because the SS-20 has mobile launchers which could rapidly be shifted westward in times of acute tension. Besides, such is the range of the SS-20 that it could hit targets as far west as France and Britain from positions east of the Urals.

Mr Brezhnev's method of arriving at his hypothesis of balance in Europe lies behind the difficulties encountered at Geneva. The Soviet side wants any agreement reached to cover not only its own and the American land-based intermediate range missiles. Moscow also wants it to apply to nuclear bombers and to the British and French nuclear deterrents.

Equality dead

That makes sense inasmuch as you are equally dead whether hit by an American, British or French bomb. But the Soviet negotiating stance seriously complicates an already difficult issue, not least because of British and French national interests. If the Russian approach were adopted, agreement at Geneva might have to wait for the Greek calendar.

The sectoral approach chosen by the West is far from perfect. But precisely because it is limited, it holds out some hope of agreement. If it can be reached, such an agreement should then lead on to further negotiations about other nuclear weapon systems.

Need for calm in the Aegean

ADMIRAL EULENT ULUSU, the Turkish Prime Minister, is normally a phlegmatic man. So when he raised his voice last weekend at a press conference and denounced the Greek government he also made clear that the time had come for the two countries' allies to listen. For Greece and Turkey have been raising the temperature in the Aegean—and this must be stopped.

The charges criss-crossing the Aegean highlight the problems which have come to the surface since Dr Andreas Papandreou's socialist and staunchly nationalist government won power five months ago. In Admiral Ulusu's words, the Greek Prime Minister is guilty of "distorted logic" and "creating tension" over the Aegean continental shelf, territorial waters and airspace.

Landing craft

Dr Papandreou replied in a similar undiplomatic vein, but other events have underlined how more than words threaten Nato's south-east flank. Greece has been protesting that Turkish military aircraft have again been violating its airspace. It has also repeated mention of the threat it feels from the Turkish Aegean Army formed in 1974 and from the 180 Turkish landing craft which it says are drawn up opposite Greece's outlying islands.

Greece has long been fortifying these islands and the potential for conflict is serious. Only six months ago the UN Security Council had to haul the two historic enemies back from the threshold of hostilities.

The Greek fear is that if Greek islands are surrounded by Turkish seabed or airspace they will eventually fall into Turkish hands. The Turks, however, object to the Greeks using their ownership of almost all the 3,000 islands in the Aegean to limit the Turks' rights in the area.

This winter Dr Papandreou brought into question the fragile truce reached between the two countries in 1976. To the Turks he appeared to challenge the basis of that truce, the Berne Agreement, by authorising an exploration in the Aegean outside Greece's territorial waters. He altered the tone of the debate between the countries by demanding Nato guarantees against Turkey. He has rejected all negotiations with Ankara, saying that the Greeks have nothing to gain yet are being

expected to give. He has also stopped the dialogue between the secretaries general of the two countries' foreign ministries. But he has not come up with any positive alternative policy.

It is of course Dr Papandreou's duty to assert his country's rights—and he believed that past Greek policy threatened them. It may also be that he has fostered the role of tough national leader in order to prevent attacks if he switches towards peace-making.

Admiral Ulusu's remarks hardly help, though they reveal a growing frustration in Ankara. The military regime is increasingly impatient with Western Europe's complaints over its record on human rights—complaints which Dr Leo Tindemann, the Belgian Foreign Minister, is to voice on behalf of the EEC in Ankara today. It may be tempting for the generals to consider Dr Papandreou an easier target to strike back at, but they should realise that his concerns touch a chord with many Greeks.

It is precisely because misunderstandings between the two countries are so profound that the potential role of their friends is crucial. The West's initial anxieties over Dr Papandreou's policies towards Nato and the EEC are largely stilled. But on the Aegean he has revealed how threathable are the patches which have been covering the differences between the two putative allies.

Military balance

As a first step the West must persuade the two to avoid the rhetoric which has been rattling the waves. Next, it must convince both sides that their crucial interests will be protected while they sit down—as they must—to talk through their problems. This requires preserving today's military balance, which means keeping arms aid in proportion.

It also requires some Western endorsement of today's borders. The U.S. may argue that providing this endorsement is impossible as long as Athens and Ankara are at loggerheads. But it is just at such times that this endorsement is most necessary. This should fall short of any direct military commitment, but in their different ways Admiral Ulusu and Dr Papandreou have both underlined that the West cannot afford to remain aloof.

FOR THE THIRD successive month, March has proved to be a critical month for Stone-Platt Industries, the troubled engineering group. But this time the company has failed to survive.

Yesterday brought the sad end, tinged with bitterness, of a company which until quite recently was regarded as one of the brightest stars in the British engineering industry. To the last, the company has been claiming that it is capable of pulling itself round. The collapse leaves the group's bankers and large shareholders still arguing over the rights and wrongs of the decision to let the group go to the wall.

On the two previous occasions the City of London had rallied round to keep Stone-Platt on its feet. In 1980, for instance, the banks agreed to reschedule loans of some £30m after the company had belatedly discovered that attributable losses and write-offs totalling some £17m in 1979 had rendered it in breach of medium-term loan agreements.

In March last year an elaborate £50m refinancing package was agreed after losses of some £15m had put the balance sheet further into trouble. Under the very close eye of the Bank of England the clearing banks, led by Midland, agreed to continue to support the company, and investment institutions such as Equity Capital for Industry and Prudential Assurance chipped in some £10m of new equity through a rights issue.

All this was on the basis of a forecast that Stone-Platt might be able to break even for the year 1981. Yet losses have continued, and including the capital write-downs resulting from the planned sale of its key textile machinery subsidiary, Platt Saco Lowell, the group was facing total attributable losses and provisions of over £20m in drawing up its 1981 accounts.

Yesterday recriminations were rumbling around the City over the failure of a final last-ditch proposal to save the company. The banks decided that they were not prepared to go along with a further capital reconstruction plan which involved, among other points, a second rights issue and the conversion of a part of the bank indebtedness into preference shares.

Stone-Platt was a proud engineering company with a long history. At the beginning of the century its Oldham factory employed 26,000 people.

In the 1950s the Platt Brothers textile machinery company merged with the electrical and mechanical engineering business J. Stone to form Stone-Platt, and later expansion moves included the 1973 purchase of Saco-Lowell, a sizeable U.S. textile machinery manufacturer.

In 1978 it was still a relatively large and diversified multinational group with sales approaching £200m in product lines ranging from textile machinery and railway equipment to pumps and marine propellers.

Its operations straddled a large number of countries, in-

cluding the UK, the U.S., Spain, and India. At that time its balance sheet was sound, though profit had been coming under pressure—with a drop from £18.8m pre-tax in 1978 to £9.5m two years later.

From that point, Stone-Platt entered a remorseless three-year slide to extinction. With the benefit of hindsight it can be seen that the principal reason was a catastrophic decline in the fortunes of the UK textile machinery business, compounded by the decision of the management to sacrifice the healthy parts of the group in order to sustain this central running sore.

In just over three years, from the beginning of 1979 to February 1982, Platt Saco Lowell (PSL) recorded total pre-interest trading losses of £10m. The remainder of the group, in contrast, produced overall profits of £14m.

Yesterday Mr Leslie Pincock, the one-time Exxon oil executive who was brought in as chairman to save Stone-Platt in November 1980, spelt out the plight of the Lancashire textile machinery side.

The problem was that the UK textile industry was in decline," he said. "Few of our products had a real home market."

This was in marked contrast to the company's South Carolina plant, sited in the centre of the U.S. textile industry.

The Lancashire factories were forced to rely on exports to developing countries like Taiwan and Korea. And though the quality of PSL's machinery was high, competition against the mainly German and Swiss rivals

in a declining market became cut-throat.

In 1980 the Stone-Platt board decided that capacity in Lancashire was three times as large as required. The Oldham plant was closed at the end of 1980, the Bolton factory was shut in July last year, and the remaining Accrington works was slimmed down.

By last summer, however, the recession in demand took a new and vicious turn. Orders fell away and, according to Mr Pincock: "Prices were tumbling disastrously to the lowest level quoted for a spindle in living memory."

'Prices were tumbling to the lowest level quoted for a spindle in living memory'

have been some £30m, but have since risen to £34m and the banks were fearing that the total would reach—and perhaps exceed—£40m next month.

Further small closures were scheduled, involving more write-downs and provisions, and the clearing banks—which are again being led by Midland—considered that Stone-Platt's shareholders' funds were likely to fall to around £15m.

The clearers came to the conclusion that this capital base would be unacceptably small for a company which would still have needed facilities of approaching £30m. And this figure does not take into account ancillary facilities of perhaps £20m in respect of foreign exchange and export bonding.

This explains the company's last desperate search for assistance from its major institutional shareholders. These are Equity Capital for Industry (owned by insurance companies and pension funds) and Finance Corporation for Industry (owned by the banks) together with two individual institutions, Prudential Assurance and the unit trust group M and G.

A capital reconstruction was proposed which involved the writing down of the interests of the existing Ordinary shareholders, the conversion of the existing Preferred Ordinary into Ordinary, and a rights issue of Ordinary shares.

The receiver will hope to complete the sale of PSL to the American buyer, and strong interest is expected in the railway equipment operations, which only on Wednesday night secured a £10m order from the New York subway, and altogether boast a £50m order book.

"Some of the parts will be on, but Stone-Platt is dead," in the words of Mr Pincock yesterday: "It's the end of the road for a fine British engineering company."

Men & Matters

Digging deep

As you might expect from a mining company, I suppose, Rowntree South Africa usually keeps its head well below ground. But signs of ructions in the boardroom have been surfacing these past few days.

Staff of the Johannesburg company—one of the group's biggest profit contributors—got the first glimpse of trouble in a circular from chief executive Syd Newman. This informed them that he had "proceeded on retirement" the previous day "and therefore ceased to be chief executive."

"Not even giving us time to buy him a clock" as one staff member put it. But his concern was short-lived. A second memo from Newman the next day told bewildered employees that Tiny Rowland had refused to let him go and "had instructed me to remain as chief executive in South Africa and as chairman and managing director with a clear mandate."

Papal bill

The vicissitudes of the secular world are making themselves felt in the rarified spiritual climes of the Vatican.

The Pope, I hear, is getting well into the red, and the Holy See's workers are giving him a labour headache.

Luckily, contributions from the faithful around the world have covered the Vatican's undisclosed—but huge—debts until now. But the ravages of Italy's 20 per cent inflation rate combined with an expansion of church activities, mean that the Holy See faces a record deficit of £36bn (£17.6m) this year.

This announcement was made by a recent special meeting of Cardinals, who discussed ways of restoring the Vatican to financial health.

Meanwhile, 1,630 Vatican employees are threatening to strike unless they get higher pay and better fringe benefits.

The Pope has said that he hopes the dispute can be settled

by "mutual and equitable understanding."

Taylor made

What are we to make of the latest musical chairs at the top of Manufacturers Hanover, America's fourth largest bank? Has Yorkshire's Harry Taylor won the battle for the number two job?

When John McGillicuddy took over as Manny Hannay's chairman three years ago, he took the title of president with him and designated the two contenders for the post—John Torell and Harry Taylor—co-chairmen.

Ever since then there has been speculation about who would eventually take over as president.

McGillicuddy appears to have ducked the issue, by appointing Taylor to the job of president of Manufacturers Hanover Trust company. The two men will have "co-existent responsibility" in the general management of the corporation and the trust company.

That said, seasoned "Manny Hannay" watchers believe that our lad from Guisborough has the marginally senior position, being president of the quoted public company. However,

Torell supporters note that their man is 10 years younger than Taylor, and can look forward to the inheritance when McGillicuddy retires.

Numbers game

The Treasury is gathering more economists to its fold than ever, according to the latest figures on the professional financial boffins the Government employs.

With 65 out of 379—obviously some departments employ the proverbial one-handed economist described by the late Dr Schumacher—the

Treasury has restored its supremacy as top employer of economists over spending ministries.

It fell behind 10 years ago, when there were only 54 in Great George Street, compared with 84 in the mammoth spenders of Environment / Transport. Now, the latter have to manage with 58.

Other major destinations for economists are the Department of Employment and the Manpower Services Commission with 21 and 15 respectively.

The Government's rather confused policy on mergers and monopolies may be attributable to the fact that the Monopolies Commission has boosted its economic staff from nil to nine.

An even more sobering moral may be drawn from the fact that the number of government economists has increased by 51 per cent from 250 during the past decade, while gross domestic product has risen by less than 15 per cent over the same period.

Jail bird

A court in Michigan is in a curious dilemma—it can't make up its mind whether to send Ricardo Ellington to a prison for men or for women.

This is because Ricardo—who prefers to be called Biquet—is half way through a series of sex change operations which have left him or her female above the waist and male below.

Ellington's lawyer wants his client, who admitted possessing stolen women's clothing and "obstructing a police officer by disguise" when dressed as a woman, sent to a women's prison. But the judge says he can find no legal guidelines to help him decide. An authority on gender identification from the Mayo Clinic in Rochester has now been called in to testify.

With 65 out of 379—obviously some departments employ the proverbial one-handed economist described by the late Dr Schumacher—the

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POLITICS TODAY

If the SDP were a restaurant ...

By Malcolm Rutherford

"IF YOU could imagine the Social Democrats going on holiday, where would they go?"

The answer used to be Venice, but the slightly bad news for the SDP is that nowadays the answer tends to be Cornwall. Both are uplifting, splendid places "morally sound" in their different ways. Yet there has been a change of image. Going to Venice is associated with success. Cornwall is associated with honourable failure, with the Liberal Party, almost.

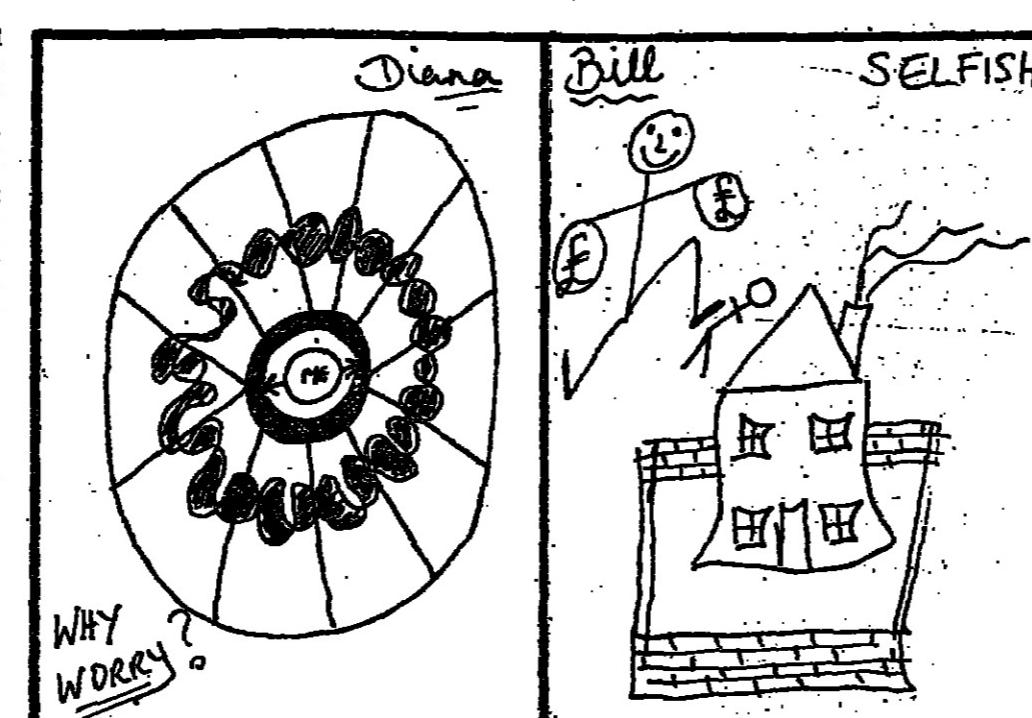
Some findings on why people flock to the SDP at the start are being presented to the annual conference of the Market Research Society in Brighton—definitely not an SDP sort of place—this morning. There is also some explanation of why support has recently been falling away.

The work has been done by Cooper Research and Marketing (CRAM) which decided, on its own initiative, to apply some of its market and consumer research techniques to politics.

By any standards, the techniques are unusual. They rely heavily on psychology and getting people together for three or four hours at a stretch in what are known as Extended Creativity Groups (ECGs). A group consists of about eight to 10 people who are first asked to express their views and feelings by drawings. They are also asked to respond to questions by the use of analogies and metaphors. Then they start talking.

When applied to politics, the principle is to transform each party into something else in order to get at its inner properties. Here are a few examples. "Suppose the SDP is a restaurant. What food would it serve? What would the service be like?" "If the Labour Party is a bed, what would it be like to sleep on?" "What would the Conservative Party be as a texture?"

The list could be extended indefinitely, almost like a party game. But the point is that people know how to play it and they understand, however dimly, the psychological implications. A woman in North London insisted that she had always voted Labour and always would, but she wouldn't draw it. It emerged that if she put the felt-



Illustrative "psychodrawings." Respondents are asked to draw their feelings about the world and themselves. The theory is that, expressing themselves non-verbally, they can avoid language constraints. They explain what they are trying to say later

It has also emerged that SDP supporters are a strange mixture of idealists and depressives. Some think that the arrival of the new politics is a natural development which will lead on to power; others see it as a sort of substitute for religion; and yet others believe in their heads, if not in their hearts, that it will go the way of Liberal revivals in the past.

Group members were asked to write an SDP obituary. Here is a depressive reaction: "RIP the SDP—which died hard but achieved little. It offered solace and optimism, which will be remembered but soon forgotten. They were just too

Here is someone who thinks of him or herself as a realist: "The SDP failed through the recommitment of the Labour Party to think of people instead of itself and the Conservatives to see the danger."

And here is the religious fervour. One member of a group refused to write any

obituary at all, saying simply: "I believe ... I BELIEVE." The guilt element came out in expressions of betrayal of the party which people had previously voted for, whether Tory or Labour. These participants talk about "returning to the fold" at the next general election.

There also appears to be a divide among SDP supporters between those who think that it is a virtue that their party should have very few specific policies and those who want policies on particular issues.

Apart from the fact that specific policies give rise to potential disagreements among the wide-ranging body of supporters, the CRAM research notes that some of them "strenuously reject policies as the language of the SDP. Policies are felt to take the movement away from them and back into the hands and mouths of politicians."

The conclusion must be that while support for the SDP is widespread—regionally, psycholog-

ically and socially—there is as yet no homogeneous base. The sentiment can drift very quickly, and the attachment to the old parties takes a long time to die.

So where does the SDP go from here? Obviously much depends on Mr Jenkins and Hillhead. But Scotland is a special case. It already has its own third party in the Scottish Nationalists. If Mr Jenkins loses, it will be a setback, but not necessarily a fatal blow.

One of the SDP's problems is that the party became used to living at fever pitch. The Gallup Poll in the Daily Telegraph last December gave the Alliance just over 50 per cent of the national vote. The same poll yesterday put them back at 38 per cent.

But 38 per cent is still very high. The Alliance could still flourish at that sort of temperature. Yet, having initially taken support from a very broad base, the leadership will now, have to be more careful in its approach to the old politics are breaking down, but there is an awful lot of residual resistance.

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Meanwhile, that assumption about telephone-owners not being Labour voters one a great deal about the relationship between class and politics in this country. So do the CRAM findings about people thinking of returning to the fold?

The old politics are breaking down, but there is an awful lot of residual resistance.

There is the old Liberal theory—before the Alliance—of "three steps forward, two steps back. We shall get there in the end." It is very much in the mind this week.

to be and what is the future of the Alliance.

* * *

The other political contribution to the Market Research Conference came from Mr Robert Worcester of Market and Opinion Research International (MORI). One of the first political polls in Britain, he said, had taken place just before the war. The question was whether people were satisfied with Mr Neville Chamberlain as Prime Minister. As many as 57 per cent said "yes." That was in October 1938. The satisfaction rate with Mrs Thatcher in this week's Gallup Poll was 34 per cent, and as low as 25 per cent last December.

There is a fierce argument going on about the merits of political polling by telephone as happens in the U.S. and is now being practised in Hillhead. In Britain it still seems to be risky because of the relatively low level of telephone penetration—that is, the number of households with a telephone.

Mr Worcester produced figures to show that in Croydon North-West penetration was 88 per cent, but in Warrington, where Mr Jenkins failed to win by-election—only 61 per cent. Telephone owners tend to be Tories or, if not, Social Democratic-Liberals. A telephone poll in Warrington would have suggested that Mr Jenkins was winning hands down.

According to British Telecom, the figure for national penetration is now 75 per cent. The figure for Hillhead is 77 per cent. So maybe the telephone poll which first began to suggest that Mr Jenkins is in trouble are more accurate than usual. We shall see next week.

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Lombard

West Germans and detente

By Stewart Fleming in Frankfurt

SOME 800 West German companies are displaying their wares at the Leipzig Fair, the East European Communist bloc's annual East-West trade jamboree. At the same time the U.S. is telling its European allies that the time has come to tighten the economic thumbscrews on the Soviet empire by another notch through "hard currency diplomacy"—curbing the flow of Western credit to the East.

A clue to the change in mood lies in the comment of a young German political aide in Bonn who remarked privately a few weeks ago: "I was not responsible for the atrocities of the Hitler era. I am responsible to see that they do not happen again." An extraordinary amount of West German television time is devoted to the crimes the Nazis committed.

In coming to terms with the nightmare, younger Germans in particular are finding it easier to journey back into German cultural history before the Nazi period to discover roots that were not poisoned by genocide and war. This journey out of the shadow of the Hitler period modifies perceptions of the relationship between the people of the two German states from that formed during the continuing conflict between East and West in the post-war period.

Arthur F. Burns, the U.S. Ambassador in West Germany, and former chairman of the Federal Reserve Board, highlighted the change in Germany in Bonn last December: "It is important that the American public understand that much of what is described by the Press as anti-Americanism is simply a search on the part of sensitive young people for their identity in a troubled world, and that even where anti-Americanism actually exists it can rarely be equated with pro-Sovietism," he said.

It is against this background of a search for national identity in West Germany that the Reagan Administration must formulate its policy in relation to East Europe. This policy must now embrace more than the old "detente" argument of whether a stick or a carrot is likely to produce the changes in Communist societies which the West would like to see.

Letters to the Editor

The notorious injustice of taxing capital losses

From Mr D. Kidd

Sir,—I agree with Mr S. Dow (March 11) in criticising the Chancellor of the Exchequer for his half-hearted measures to remedy the notorious injustice of taxing as capital gains the capital losses caused by the policies of monetary devaluation pursued by successive governments.

For those who find it literally "intolerable" ... to be permanently condemned to pay tax on gains that are apparent but not real" (the Chancellor's words) some satisfaction may be obtained by challenging the Revenue's claim to assess tax on unreal gains.

One public-spirited taxpayer took this step some time ago and failed in the High Court on what were essentially the technical minutiae of the relevant provisions governing the computation of gains for tax purposes but since that case the House of Lords has had to consider the approach to the general question as to how gains and losses are to be computed.

Lord Wilberforce has stated (Aberdeen Construction Group Limited v. IRC, referred to with approval in the Ramsay/Rawling cases): "The capital gains tax is of comparatively recent origin. The legislation imposing it, mainly the Finance Act 1965, is necessarily complicated, and the detailed provisions, as they affect this or any other case, must of course be looked at with care. But a guiding principle must underlie any interpretation of the Act, namely, that its purpose is to tax capital gains and to make allowance for capital losses, each of which ought to be arrived at on normal business principles. No doubt anomalies may occur, but in straightforward situations the courts should hesitate before accepting results which are paradoxical and contrary to business sense. To paraphrase a famous cliché, the capital

gains tax is a tax on gains; it is not a tax on arithmetical differences."

The question is, therefore, to what extent this principle can be relied on to resist Revenue claims to tax the "arithmetic differences" produced by inflation but referred to as "gains" on assessments.

If there is anyone who can afford to lose his case and feels the injustice cannot pass unchallenged there is perhaps a possibility of finding a judge prepared to act on the words of Earl Lonsdale in Drummond

v. Collins ("Courts of Law have cut down or even contradicted the language of the Legislature when on a full view of the Act, considering its scheme and its machinery and the manifest purpose of it, they have thought that a particular case or class of cases was not intended to fall within the taxing clause relied upon by the Crown.")

Alex D. Sheddien
3, George Street,
Edinburgh.

From Mr D. Sheddien
Sir.—In his Budget article (March 11) Samuel Brittan states, "The indexing of capital gains tax has removed one bar to indexed corporate bonds. The remaining obstacle is that corporation tax is levied quite unreasonably on the indexation element in capital gains." If by this Mr Brittan means that the increases in capital repayments cannot be set off against taxable profits what is unreasonable about that? Rather, is it not unreasonable that a corporate borrower can obtain tax relief on the whole of the interest payments under non-indexed bonds even though, at current inflation-induced rates, the major part of the interest is to compensate for reduction of capital in real terms? The lender's position is correspondingly unreasonable, for he

must pay tax on the whole of the interest receipts on non-indexed debt whereas he can now buy an index-linked gilt and not be taxed on the capital increases.

I find it interesting to note that the Revenue's attitude to indexed-linked purchased life annuities is curiously at variance with its treatment of indexed debt, for up to now it has ruled that the indexed increase in annuity payments should be treated as interest for tax purposes. Such anomalies must surely be challenged now that the Budget has moved on one step towards index-linking the tax system. Unfortunately there are still several more steps to be taken before the tax system, as it affects both corporations and individuals, can be correctly adjusted for inflation.

Alex D. Sheddien
P.O. Box No. 63,
3, George Street,
Edinburgh.

From Mr D. Lindsay

Sir.—As Rosemary Burr pointed out (March 13) children with wealthy enough grandparents can benefit to the extent of over £1 per week from the budget changes, in addition to the 80p increase in child benefit.

When will we have a Chancellor who will rid us of this scandalous anomaly and either

(if he is a Socialist) use the resultant saving to increase child benefit, or (if he is a Conservative) apply the saving where it is most needed, namely, in part, in increasing supplementary benefit to families at the lower end of the income scale and, in part, in restoring tax justice to tax-paying families by bringing back child tax allowance?

David G. Lindsay
3, Orchard Coombe,
Wimborne, Dorset.

From Mr D. Kidd

Sir.—In his Budget article (March 11) Samuel Brittan states, "The indexing of capital gains tax has removed one bar to indexed corporate bonds. The remaining obstacle is that corporation tax is levied quite unreasonably on the indexation element in capital gains." If by this Mr Brittan means that the increases in capital repayments cannot be set off against taxable profits what is unreasonable about that? Rather, is it not unreasonable that a corporate borrower can obtain tax relief on the whole of the interest payments under non-indexed bonds even though, at current inflation-induced rates, the major part of the interest is to compensate for reduction of capital in real terms? The lender's position is correspondingly unreasonable, for he

has a different interpretation of "K" to the one I hold. I have always thought that "K" came from the world of mathematics and computers and stood for 2 to the power 10 i.e. 1024.

If I am right, the holder of the job with a "15K" salary should be entitled not to £16,000 but £15,880 and surely any Chancellor of the Exchequer would use "K" in his financial estimates, having a greater need of obtuseness than most others!

R. C. Bullen
29 Wood Ride,
Pettis Wood,
Goring-on-Thames, Berks.

From Mr R. Bullen

Sir.—Mr Griffin (March 16)

It may not have escaped your notice that our parent company is the foremost manufacturer of rolling bearings in the world.

The reason that SKF was founded in Sweden back in 1907 was that imported bearings weren't up to scratch.

Partly because of unreliable raw materials.

So SKF set out to make

Swedish bearings from Swedish steel, long recognised as the very best available.

And, wishing to have total control over every stage of production, the logical thing to happen was for SKF to acquire its own steelmaking capability.

Which is how the SKF Steel Division came into being.

Over the years it has gradually refined its techniques resulting in the extremely sophisticated SKF-MR process which produces only

the very purest steels.

Those special steels are used in the manufacture of SKF bearings.

But that's the smaller part of total output. For it was realised long ago that very many other industries need materials with exactly the same built-in cost

saving qualities. Such as higher strength, better machinability and greater dimensional consistency.

So a worldwide network of

SKF Steel subsidiaries was established. Including a major investment in our Service Centre facilities right here in the U.K.

From which we are also supplying

SKF Steel Ltd
The Special Steel Specialist.

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quality British steel products to our customers and our overseas sister companies.

If you're a steel user—especially of the 'special' grades—then we're sure we can offer you superior products with service to match. Particularly as our recent move to the West Midlands has more than doubled our stockholding capacity.

Write or phone today and we'll be happy to show you why our existing customers reckon we've got a great deal to crow about.

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Companies and Markets

UK COMPANY NEWS

GKN's profits increase to £34.6m

A PRE-TAX profit of £28.2m in the second half of 1981, compared with a loss of £37.4m in the same period of 1980, enabled Guest Keen and Nettlefolds to produce a full-year surplus, before tax, of £34.6m, against a deficit of £12m previously.

At half time, the group returned a taxable profit of £5.6m (£36.2m) which was after charging £5.7m redundancy costs. The directors said then that any further improvement in results would reflect the benefits flowing from the actions taken in the UK during 1980 and on a reduced scale in 1981, together with the continuing strength of GKN's overseas side.

Following the unchanged interim dividend of 4p net, the group is maintaining the final at 4p for a total of 8p (same) per £1 share.

The directors say that the current economic and market trends do not yet provide a firm base for optimism about 1982. The recession is not over and much capacity remains under utilised.

However, the work of restructuring GKN will continue. The achievements of the past two years provide positive evidence of the group's ability to react to difficult and rapidly changing circumstances, they state.

Turnover for the year showed a slight fall from £1.92bn to £1.85bn, but trading surplus—after charging depreciation of £55.9m (£47.8m)—increased by £31.7m to £94.2m.

Interest payable rose from £47.6m to £55.2m, while redundancy costs on on-going activities took £11.7m (£25.5m). Investment income and interest receivable improved from £2.6m to £3.3m, while share of associates profits was down £3.1m at 4.4m.

HIGHLIGHTS

Lex reviews the crash of Stone-Platt where a receiver was appointed yesterday morning after several days of rumours that the company was in serious trouble. The column then moves on to comment on the full-year figures from Guest Keen and Nettlefolds showing a continuation of the recovery after the losses suffered in 1980. Lex then briefly looks at the full February money supply figures which show £2bn of bank lending but no change in sterling interest rates. Elsewhere it was another busy day for company results with Steetley announcing slightly lower full-year profits at £17.3m, along with the news that it is selling its Australian chemical business to Harrison and Crosfield.

Tax charge decreased from £29.3m to £27.5m, and after debiting minorities of £5.5m (£5.6m) the group's earnings for the year were 50.6m, compared with losses of £40.1m.

There were also extraordinary debits of £24.9m (£49.8m) of which redundancy costs in discontinued activities accounted for £8.3m (£21.6m).

The directors say that generally, economic and market conditions have been no assistance during the year and the automotive and construction markets in particular remained depressed.

In the UK the bottom of the cycle was probably reached in the second quarter but subsequent months showed very little improvement in demand.

Reorganisation of the group's UK activities has continued and there was a further reduction in the work force of some 14,000. Of these, almost 4,000 were employees of companies now part of Allied Steel and Wire and just under 10,000 were redundancies, of which some 5,000 had already been provided for in the accounts for 1980.

Overall results of group companies outside the UK improved.

Those in Europe, mainly linked to the automotive industry were lower, but in North America, Asia and South Africa trading surpluses increased substantially.

Sales in the U.S. grew significantly with the bringing into production of new factories in North Carolina and the progressive development of automotive accessories and replacement parts distribution.

Capital expenditure in 1981 was £84m, of which £3m was in the UK.

Despite the substantial sums which have been absorbed in retrenchment—£37m (£75m) and in the development of ongoing businesses, there was a positive cash flow and total borrowings were contained, reflecting stringent control of working capital and increased operating efficiencies.

In current cost terms, the 1981 pre-tax profit was £7m (£2m loss). Sir Trevor Holdsworth, the chairman, said yesterday that given the current level of demand it was "not unreasonable" to expect the results for the first half of 1982 to be similar to those of the second

half of last year.

Although 1981 figures showed a turn round from losses, Sir Trevor said "it is still an unsatisfactory overall result and that is what we are putting right."

Over the past two years GKN's UK work force had come down from 69,000 to 42,000—a reduction which on a crude calculation represented an annual saving of some £140m.

Sir Trevor admitted there would probably be some more redundancies this year, but said it was very unlikely they would be on the scale seen in 1981. To date this year the group had announced just over 800 redundancies.

GKN was projecting capital spending of between £50m and £100m for this year—about the same as 1981.

The split was expected to be roughly 50-50 home and abroad, although the completion of some existing programmes could see the balance slightly more in favour of overseas.

Helping profits last year was an exchange gain estimated at £2m and £3m at the pre-tax level.

The group's UK autoparts business was still losing money, but the chairman said that GKN had no other major loss-making areas at present.

Although the group was still waiting to see first signs of a UK upturn, Sir Trevor emphasised it would not need an enormous growth in the UK economy to achieve a "considerable improvement" in its results.

Target for the UK operations was a return of 10 per cent on sales, and 20 per cent on assets, GKN, a big contributor to Terry party funds, made an unchanged payment last year of £15,000.

See Lex

Supra well ahead in second half

A SUBSTANTIAL improvement in results was predicted for the full year at Supra Group last September and second-half profits in November 30, 1981 have pulled ahead from £162,000 to £385,000.

Taxable profits for the 12 months for this manufacturer of marine components, noise control products and paints improved by £20,000.

The board estimates, however, that the year's taxable profits might have been about £2m lower if the international value of sterling had not decreased during the year.

Stated earnings per 10p share were ahead from 10.1p to 12.4p and the dividend for 1981 is being lifted by 1p to 6p net with a final of £3.75p.

Turnover for the first quarter of 1982 is running ahead of the same period last year, say the directors, and they expect this trend will continue for the full financial year. Turnover for the 12 months under review was similar at £9.65m, compared with £8.52m. UK turnover was £1.11m against £1.33m.

The final dividend has been held at 12.5p which repeats the total at 2p. Earnings per ordinary 10p share are shown to have risen from 2.71p to 3.64p.

A scrip issue of one-for-one is proposed.

The directors say that strict control will continue to be exercised over group affairs, but advantage will be taken of sound investments, should they be found, in order to increase business.

Depreciation charges were £264,217 (£252,729). Tax rose from £70,723 to £79,418. At the attributable level the result improved to £476,009 (£350,297). Dividends absorb £264,224 (£262,194).

• comment

Supra's recovery is largely thanks to reduced borrowings.

The interest charge nearly halved in the year, bringing down income gearing from 46 per cent to about 22 per cent. Trading profits in the period advanced by only 7 per cent and the company sees little evidence of a more solid recovery coming through.

The group's motor-car component business is pinned to the replacement and D.I.Y. trade, which has been less damaged by the current slump than the motor industry as a whole. Supra's ability to keep its head above water in this field has prompted a search for an addition to this side of the business. It has lined up credit facilities of up to £10m to back such a move, but says no prospects are yet in hand.

Despite the group's careful cash control, a recovery this year to the 1979 peak of £1m appears unlikely. The shares, up 1p to 53p, look pricey on a fully-taxed p/e of over 21—the name Quinton Razell apparently carries some magic still. The yield is 3.5 per cent.

In line with the offer for sale document, a final dividend of 1.75p per 25p share will be paid. Earnings per share are stated as 7.565p.

Mr Paul Bristol, chairman, says the pre-tax results are well ahead of those for the previous year and exceed the forecast contained in the offer for sale prospectus by 12.26 per cent.

He says the company's contracts offshore in the North Sea and onshore overseas are progressing well and its drillship "Polly Bristol" under contract to CAMPSA offshore Spain is progressing as planned.

Sedgwick climbs by 36% to £56.4m and pays more

PROFITS before tax of Sedgwick Group, insurance and reinsurance broker and underwriting agent, rose by 36 per cent from £41.57m to £56.44m for 1981, with second-half figures ahead from £15.67m last time to £27.34m.

The board estimates, however, that the year's taxable profits might have been about £2m lower if the international value of sterling had not decreased during the year.

Stated earnings per 10p share were ahead from 10.1p to 12.4p and the dividend for 1981 is being lifted by 1p to 6p net with a final of £3.75p.

Turnover increased from £9.86m to £27.65m and after minority debits of £155,000 (£90,000) and extraordinary credits of £14.2m (£255,000 debits) group earnings for the year showed an advance from £20.85m to £30.02m.

Dividends absorbed £12.82m, compared with £13.1m, and the board says this 23 per cent increase highlights the encouraging amount of new business which had been acquired worldwide.

Current cost accounting reduces 1981 taxable profits to £45.86m (£38.86m).

• comment

All sorts of things were expected of Sedgwick yesterday, but none of them had to do with profits.

By the day's end, a rights issue

had not materialised, a UK acquisition was not announced and rumours of a dawn raid were apparently discredited by the market which left the shares unchanged at 150p. In the event, Sedgwick's profits confirm that the group is more than holding its own in the realigned transatlantic market. Expenses have been contained; they work out to 58 per cent of revenue for 1981, against 71 per cent in 1980. Sedgwick's doesn't give much away in its financial statement, but the group is mainly benefiting from stronger overseas business and its ties to large industrial accounts, such as the oil rig business.

The charge increased from £19.86m to £27.65m and after minority debits of £155,000 (£90,000) and extraordinary credits of £14.2m (£255,000 debits) group earnings for the year showed an advance from £20.85m to £30.02m.

Dividends absorbed £12.82m, compared with £13.1m, and the board says this 23 per cent increase highlights the encouraging amount of new business which had been acquired worldwide.

The group's brokerage income, which would have been higher but for the continuing effects of low insurance rates for most classes of business throughout the world, has also benefited.

New contracts were gained in 1981—the most significant being the drilling contract for Mobil's Beryl "B" platform. This and the existing contracts including the Beryl "A" platform and others being negotiated are expected to contribute to the company's continued expansion.

Oversize tax took £2.1m (£1.23m) and irrecoverable ACT took £161,000 (£19.5m), leaving profits attributable to shareholders of £34.8m (£2.96m). Current cost profit is £3.1m compared with £3.29m.

• comment

The market debut of KCA Drilling, early in July, was a success. One-third of the issue had been left with the underwriters and, having gone immediately to a discount on the 95p offer price, the shares sank as low as 38p in the market turmoil

of the autumn. At that point, the company was appraised at around half the delivered value of its newly commissioned drillship. Things have improved since then; the appraised value of the "Poly Bristol" at delivery was about £61m (at today's exchange rate), while KCA now weighs in at 30p.

The company has made its earnings forecast with something to spare—after getting nearly three months' work out of the drillship—and has paid the advertised dividend. The rate of exploration is too low to encourage great hope from North America this year, but drilling is still going profitably ahead in Pakistan, Turkey and Libya. Given a full year from the drillship earnings should go quite smartly ahead but at a discount to a fully-fledged multideck almost 15—the shares admittedly discount KCA's prospects.

KCA Drilling tops forecast

IN ITS first results as a separately quoted public company, KCA Drilling Group reports taxable profits for 1981 of £5.84m. This compares with a prospectus forecast of £5.2m and with £3.49m for 1980. Turnover is up from £16.85m to £26.95m.

In line with the offer for sale document, a final dividend of 1.75p per 25p share will be paid. Earnings per share are stated as 7.565p.

Mr Paul Bristol, chairman, says the pre-tax results are well ahead of those for the previous year and exceed the forecast contained in the offer for sale prospectus by 12.26 per cent.

He says the company's contracts offshore in the North Sea and onshore overseas are progressing well and its drillship "Polly Bristol" under contract to CAMPSA offshore Spain is progressing as planned.

Hall Engineering £1m lower

FALLING FROM £3.47m to £2.97m in the second half, pre-tax profits of Hall Engineering finished 1981 some £0.65m lower at £2.02m.

At mid-term, when a decline from £3.6m to £3.05m was reported, the directors said any upward profit increase was likely to come from cost savings than from any easing of conditions. They warned, however, that it was unlikely that full year results would equal those of the previous 12 months.

Basic earnings per 50p share are stated at 37.85p (£4.21p) for the year under review, and those fully diluted turned in at 36.25p (£4.17p). The total dividend is held at 7.61p with a final of 4.2p net.

• comment

The South African operations of Hall Engineering have provided

an even greater support to profit than in 1980. In the UK, all the group's major activities were adversely affected by the recession, especially those associated with the construction industry. The nearly trebled interest charge indicates that Hall has embarked on some big capital spending. As well as investing more in South Africa, the group is building a new steel stock holding warehouse in Wales and helping Shrewsbury Tool make tool up for new markets.

Basic earnings per 50p share are stated at 37.85p (£4.21p) for the year under review, and those fully diluted turned in at 36.25p (£4.17p). The total dividend is held at 7.61p with a final of 4.2p net.

Sale Tilney at £1.98m

UNCHANGED second-half profits of £1.23m left Sale Tilney and Co. with full year pre-tax figures, to end November 30, 1981, of £1.98m, some 2 per cent more than the previous year's £1.94m. Turnover of this industrial, food and central services group, showed a reduction from £64.4m to £55.19m for the 12 months.

The final dividend has been held at 12.5p which repeats the total at 15p. Earnings per ordinary 25p share were given as 4.8p to 4.9p.

At the interim stage, the directors say there is little evidence yet of an increase in volume. A new branch in Haverfordwest started trading in January 1982. Two new stores will open in the dry section at 282, making a total of seven.

At the interim stage group pre-tax profits fell from £65.000 to £413,000.

Turnover rose during the 12 months from £25.98m to £27.04m. Tax was lower at £36.000, against £31.900, leaving net profit at £27.220 (277,000). On current cost basis the pre-tax profit emerges at £79.000 (£78,000).

£85m bonuses from CIS

THE Co-operative Insurance Society is increasing more than 50 per cent of its life fund profits to its whole-life policyholders in the form of reversionary and terminal bonuses.

Reversionary bonuses in the Ordinary section are kept unchanged at 6.50 per cent of the sum assured for life contracts and at 8.50 per cent of the basic annuity for old series annuities. On the new series annuities, the bonus rate is 15 per cent of the basic benefit and 25 per cent of any attaching bonuses.

In the Industrial section, the reversionary bonus rate is also kept unchanged at 2.75 per cent of the sum assured.

The Society has relied on giving higher benefits to policyholders by substantially increasing the terminal bonus rates paid when a policy matures, or becomes a death claim or when

the pension vests. This is the second year when it has taken this route.

In the Ordinary section, the bonus scale ranges from 29.2 per cent of the sum assured for 10-year contracts to 156 per cent for contracts in force 50 years or more. The previous scale ranged from 22 per cent to 123 per cent.

In the Industrial section, the bonus scale rises to a maximum of 111

BIDS AND DEALS

BAT expected to improve offer for Marshall Field

BY DAVID LASCELLES IN NEW YORK

BAT, THE UK retailing and tobacco group, was widely expected last night to improve its \$310m takeover bid for Marshall Field, the Chicago department store with whom it agreed terms earlier this week.

Batus, the company's U.S. subsidiary, was holding a board meeting at its headquarters in Louisville, Kentucky, yesterday afternoon "to consider a possible revision in the terms," according to an official statement.

The meeting came amid considerable speculation on Wall Street that BAT's offer would be challenged either by a counter-bid or by a group of investors headed by Mr Carl Icahn, the New York financier, who holds about 30 per cent of the company.

Marshall Field shares were

suspended from trading on the New York Stock Exchange yesterday morning. They had been changing hands at \$25.50 in heavy trading, exactly the level offered by BAT. Normally take-over stocks trade slightly below the offered price.

Speculation was fuelled by a revelation from Marshall Field that BAT's bid had only just topped rival offers, reliably understood to have come from Carter Hawley Hale, another U.S. retailing chain which tried to buy Marshall Field once before, and the Trump Brothers of South Africa.

Mr Icahn has already said he intends to fight the deal with every means available. However, Marshall Field has gone to court to seek a restraining order after him soliciting recommendations opposing the deal while complying with federal dis-

closure requirements. Mr Icahn's group includes European interests from Switzerland and Belgium.

The merger also faces possible Anti-Trust scrutiny because BAT's retail interest in the U.S. could overlap with Marshall Field's. Details of the merger have been filed with the U.S. Anti-Trust authorities, but BAT is reserving the right to pull out if Anti-Trust charges are made.

BAT disclosed in documents filed with the secretary that it intends to finance the deal with a loan from six U.S. banks. Continental Illinois, Morgan Guaranty, Bankers Trust, Citibank, Chemical Bank and Chase Manhattan. BAT can choose from a number of interest rate options, including the U.S. Prime Rate, and rates based on Libor or Certificates of De-

posit.

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Asstd Leisure in coach deal

Associated Leisure, the video games and slot machine group, has bought a private-coach business and holdings of one operator in the North country for £1.2m. Its shares gained 11p to close at 100p.

Smithe Happyways is a Wigan-based company which last year made pre-tax profits of £2.4m on a turnover of £11.9m. It is managed by members of the three families who have built the company over the past 50 years and they have agreed to stay with it for at least the next three years.

Mr Nathaniel Solomon, Asso-

ciated Leisure's managing direc-

tor, said his company had felt unhappy for some time "with most of our eggs in the amusement machine basket". Its video game operations have been unprofitable for the last year in particular.

"We wanted to be in the leisure industry and SHS seemed to us to fit nearly ideally our requirements," said Mr Solomon.

SHS had net tangible assets of £7.4m at the end of last year, including an adjustment for a 20.79% revaluation of property assets. It owns over 150 coaches which provide local services for a catchment area of 18m people

around the North West as well as being the basis of the company's holiday tour business.

The holiday tours account for 75 per cent of SHS' turnover and rather more of its net profits. Three-quarters of the tours are directed at South coast resorts in England—the remainder go to continental Europe—and about half of the passengers carried stay in hotels owned by SHS itself.

SHS owns two hotels in Scotland and seven in England. Associated Leisure already has four hotels of its own, though these are aimed at the business traveller rather than tourist market.

Mr Solomon said that the acquisition of further hotels was now a possibility but would be followed up pari passu with a search for new catchment areas for the coach business.

"For the time being, SHS will offer us the growth prospects that we have been seeking," he said.

Associated Leisure is paying for SHS with £2.7m of an unsecured 11 per cent loan stock due in 1983-92, 24.1m in cash and 1.5m ordinary shares.

The shares represent 5.7 per cent of Associated's total equity and were worth £1.0m at last night's closing price.

A further payment will be made of £1.1m in April 1983 in cash or loan stock at the vendor's option.

Mr Henry Swarbridge, SHS's managing director, said a public flotation of the company's shares had been an option considered last summer but the owners "simply did not want the hassle." Now they are on to their Associated Leisure shares and play "a vital part in the whole set-up."

Associated's 1981-82 fiscal year ended on March 14. The company had a positive cash flow of about £7m and had cash balances of £3.52m earlier this month.

The surplus needed for the cash part of the purchase of SHS itself a cash rich business with a positive flow of about £4m in 1981-82 has come from existing bank overdraft facilities.

GREAT NORTHERN/RIT AS AT the close of business on March 17 1982 estimated net asset values after deducting prior charges at market value were 175.1p per ordinary of Great Northern and 472.5p per ordinary of RIT.

The share exchange ratio under the Great Northern offer will not be determined until the offer becomes or is declared to be unconditional as to acceptances but on the basis of the then current net asset values it would result in an ordinary shareholder of RIT receiving, for every 100 ordinary shares in RIT, approximately 270 ordinary units

FORSYTH SOLD R. W. Forsyth Limited, the private company with major department stores in Edinburgh and Glasgow, has been sold.

Burton Group is taking over the occupation of the main store in Princes Street, Edinburgh, the freehold of which has been sold to Universities Superannuation Scheme for just under £12m. The retail business of the Glasgow store is to be continued under new management.

The price paid for the Forsyth's capital reflects the £12m sale of the Edinburgh property and the market value of the Glasgow property and business.

SHARE STAKES Mitchell and one of the beneficiaries of the executors,

London and Strathclyde Trust

Imperial Life Assurance Company of Canada acquired a further 100,000 ordinary shares.

Imperial Life Funds Ltd 15,000 ordinary shares (23.11 per cent).

Globe Investment Trust—Coal

Board Pension Funds purchased 225,000 shares, bringing holding to 39.55m shares (24.37 per cent).

J. E. England and Sons (Wellington)—Walter Duncan and Goodridge has acquired 55,000 ordinary shares bringing their holding to 11.1m shares (22.1 per cent).

Greencore Carpets—M. S. H.

Hawkins, director, has disposed of 200,000 shares beneficial at 17p leaving holding 1,432,000 ordinary shares, excluding remote interest (8.03 per cent).

Oceans—Robert Air, director, bought 7,304 ordinary shares, bringing holding 4.3m (43.5) per cent.

Holyrood Rubber—Pegi (Singapore) Pte holds 12,922 ordinary shares (14.99 per cent).

Alliford—Kuwait Investment Office holds 530,000 income shares (11.04 per cent).

Bridg Group—PLC wholly-owned subsidiary of Bajaj has increased its holding in Bridg Group from 437,500 shares to 601,500 shares (10.125 per cent).

Brayton Consolidated Trust—

As a result of purchase of 1.2m ordinary shares, Standard Life Assurance is the beneficial owner

of 3,213,877 ordinary shares (9.6 per cent).

Scottish and Newcastle Breweries—Mr D. A. H. Younger has resigned certain directorships and as a consequence reduced his non beneficial shareholding in the company by 180,100 ordinary shares.

Tomkinsons Carpets—Prudential Assurance has acquired 20,000 shares, bringing holding 175,000 (6.14 per cent).

Capital and Counties—Kuwait investment office holds an interest in 5,385,000 ordinary shares (6.99 per cent).

Greencore Properties—

Scottish Northern Investment Trust has acquired 400,000 ordinary shares and holds 2.2m ordinary shares (6.28 per cent).

Holmes à Court sets out his long term plans for ACC

BY JOHN MOORE, CITY CORRESPONDENT



Mr Robert Holmes à Court speaking at yesterday's EGM: "Our objective is to combine TVW Enterprises' media interests with those of ACC and support the existing management of ACC in returning ACC to profitability"

AC a facility of £10m no part of which has yet been drawn down by ACC.

Under the terms of the TVW offer Bell's managerial and financial support to ACC must continue until the 55p per share becomes unconditional.

Apart from disposal of certain assets of ACC which are already under consideration by the board of ACC, it is not TVW's intention to make any changes in ACC's business.

TVW is making a two tier offer for ACC, the highest offer worth 110p for each quoted non-voting ACC share. That places a value of more than £50m for each of the entire assets of ACC as a direct consequence of the assumption of control of the enterprises it employs once headed by Lord Grade.

"As far as I am concerned, if TVW succeeded, he would be qualified as a result of the further fall that has occurred in the price since then, especially in the light of Mr Dalton-Brown's comment that the mine would not be operating profitably without its gold by-product.

Murchison supplies about 24 per cent of the western world's antimony needs; the metal's applications include use in electric batteries and flame-proof materials.

Weak market conditions in the first half of last year resulted in Murchison selling 74 per cent of its production which, in turn, had been cut back by about one-third. The second half of the year brought

future if TVW succeeded, he added: "We are remaining silent on that. The document was produced without any negotiations. He admitted it was a very non-negotiable document."

Asked about his own position as chairman of ACC Mr Holmes à Court said: "I will stay as chairman until such time as I am asked to resign." His position as chairman was not on today's agenda.

Declining to speculate on what kind of a higher bid Mr Holmes à Court told journalists that ACC board was meeting to consider a profit forecast.

He said that the offer documents from TVW contained nothing about the future of Lord Grade or details of yachts and cars for sale at ACC. Earlier this year Mr Holmes à Court had indicated that he intended to disclose details of ACC expenditure in his offer document which would have been put out by his Bell company.

He said yesterday that the TVW offer had been made unilaterally and without any consultations with the ACC board so there was no reason to go into that type of detail.

Asked about Lord Grade's equity, he said yesterday that the offer document which appeared a good price.

Mr Holmes à Court has not yet approached the Independent Broadcasting Authority to discuss ACC's 51 per cent holding in Central Independent Television. He suggested that he would seek the same agreement as his Bell company gained in earlier negotiations.

If TVW acquired ACC it would only resell its assets in order to improve earnings. It would not turn the company into cash.

He disclosed that TVW has not yet approached the Independent Broadcasting Authority to discuss ACC's 51 per cent holding in Central Independent Television. He suggested that he would seek the same agreement as his Bell company gained in earlier negotiations.

The main reason for the latest severe loss was last year's payment of £6.27m of tax on last year's budget and repayment of some 6.27 per cent of EGM's total spending outside the U.S.

Major projects in Malaysia

MINING NEWS**Murchison now relies on gold**

BY KENNETH MARSTON, MINING EDITOR

After last year's recovery, little change is expected in 1982 results of South Africa's antimony and gold-producing *Consolidated Murchison*. This forecast, however, given in the annual report by the chairman Mr H. Dalton-Brown, was written on February 23 when the gold price stood at \$361 per ounce.

It may thus need to be qualified as a result of the further fall that has occurred in the price since then, especially in the light of Mr Dalton-Brown's comment that the mine would not be operating profitably without its gold by-product.

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Major projects in Malaysia

include the installation of four new offshore production platforms in the northern state of Trengganu and the building of a crude oil terminal at Kerteh in the state.

Work on the platforms began last year at three new oilfields, Tinggi, Kepong and Tiang. They raise to six the total number of oilfields in Trengganu.

Major projects in Malaysia

guarantee, withholding tax and other charges on foreign and domestic loans. At the same time, interest rates rose while the nickel operations lost money.

Copper mining and cement production remained profitable, but the outlook for them in the current year is cloudy. Metal further payments will fall due on loans to the Philippines Government which is the majority stockholder in Marinduque as well as a creditor.

ROUND-UP

Australia's *Jimberlanza Minerals* has suspended underground operations at its 50 per cent-owned Minador gold mine in South Africa, and the future of the project is being assessed.

Under the terms of the project, Minador will receive a net profit of \$18.5m in the previous year.

The main reason for the latest severe loss was last year's payment of £6.27m of tax on last year's budget and repayment of some 6.27 per cent of EGM's total spending outside the U.S.

Major projects in Malaysia

affected by delays in the supply of plant and equipment.

Sale Tilney

Results

(subject to final Audit)

<table

COMPANY NOTICES

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

NOTICE TO HOLDEES OF DEFERRED SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 68

With reference to the notice of declaration of dividend advertised in the Press on 10th March 1982, the following information is published for holders of share warrants to bearer.

The dividend of 25 cents per share was declared in South African currency. South African non-resident shareholders tax at 2.786725 cents per share will be deducted from the dividend. The amount of the dividend will be paid in United Kingdom currency equivalent of 22.3125 cents per share.

The dividend on bearer shares will be paid on or after 7th May 1982 against surrender of coupon No. 68 detached from share warrants to bearer as under:

(a) At the office of the following Continental paying agents:

Banque Rothschild
21 Rue La Fayette
75009 Paris
8021 Zurich
Banque Bruxelles Lambert
2 Rue de la Regence
1000 Brussels
Societe Generale de Banque
3 Montague du Parc
1 Aeschenvorstadt
1000 Brussels
4902 Basle
Banque Internationale a Luxembourg
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 30th April 1982 at the United Kingdom currency equivalent of the rand currency value of their dividend on 29th March 1982; or

(ii) in respect of coupons lodged after 30th April 1982, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 17.5 cents per share arrived at as follows:

Amount of dividend declared	South African Currency Cents per Share	Less: South African non-resident share-holders' tax at 11.147%	2.78675
25.00000			2.78675
			22.2125

Less: U.K. income tax at 18.553% on the gross amount of the dividend of 25 cents 4.71325

17.50000

For and on behalf of Anglo American Corporation of South Africa Limited London Secretaries J. C. Greensmith

London Office: 40 Holborn Viaduct 18th March, 1982

Note: The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.553% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.147%.

De Beers
De Beers Consolidated Mines Limited

BOND DRAWINGS

PERUVIAN NATIONAL LOAN
6% External Sinking Fund Bonds 1928
(Second Series)

S.G. WARBURG & CO. LTD. announce that the semi-annual redemption instalment due 1st April, 1982, has been met by purchase in the market to the nominal value of £5,400 and by a drawing of Bonds to the nominal value of £22,100.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:-

£1,000 Bonds					
8761					
7363	7502	7704	7869	8037	8253
574	628	727	748	802	843
1017	1065	1102	1177	1270	1296
1250	1300	1311	1315	1318	1335
1774	1787	1844	1850	1859	1870
2205	2234	2293	2322	2383	2408
2639	2678	2710	2757	2849	2920
3052	3080	3148	3196	3337	3405
3475	3520	3541	3571	3610	3640
3895	3917	3954	4006	4167	4190
4228	4368	4412	4452	4574	4599
4694	4728	4759	4805	4937	4983
5121	5149	5240	5247	5309	5310
5546	5605	5627	5624	5750	5830
5963	6008	6028	6081	6118	6138
6250	6344	6383	6422	6525	6545
6705	6732	6764	6849	6870	6908
7029	7044	7082	7137	7169	7189

On the 1st April, 1982, assented Bonds will become payable at the new par value of £174 for each £100 nominal, together with accrued interest to date at the office of:-

S.G. WARBURG & CO. LTD.
Coupon Department, St. Albans House,
Goldsmith Street, London, EC2P 2DL.

Interest will cease to accrue on the Bonds called for redemption on and after 1st April, 1982 and Bonds presented for payment must have attached all coupons maturing after that date.

£256,200 nominal Bonds will remain outstanding after 1st April, 1982.

The following Bonds drawn for redemption on the dates stated below have not as yet been presented for payment:

1st October, 1975

£100 Bonds

2734

1st April, 1977

£100 Bonds

3056

1st October, 1977

£100 Bonds

5016

1st April, 1978

£100 Bonds

4830

1st October, 1979

£100 Bonds

5093

1st April, 1980

£100 Bonds

2600

1st October, 1980

£100 Bonds

5675

1st October, 1981

£100 Bonds

6059

1st April, 1981

£100 Bonds

730

1st April, 1982

£100 Bonds

8099

1st October, 1982

£100 Bonds

7932

1st April, 1983

£100 Bonds

8069

1st October, 1984

£100 Bonds

8956

1st October, 1985

£100 Bonds

9055

INCREASED interest and depreciation charges helped to give taxable profits of Steetley by 5 per cent from £15.23m to £17.27m in 1981, on higher turnover of £402.41m compared with £345.73m.

Profits from overseas operations of this minerals, construction and chemicals group increased by 37 per cent and reported a net loss of £1.12m in 1981.

Profit from Steetley's chemical business in Australia was £1.12m.

INTERIM: Miles and Allen Interiors, Minerals and Resources Corporation, Wasing and Glidewell.

Proposed: BLC, Midland Bank, Mondorf (Kuwait), George Ovear (Frostwear).

APRIL: Amalgamated Distilled Products

Proposed: Makin (J. and J.) Paper Mills

UNITED KINGDOM: April 29

A.P.V.: Bramall (C. D.)

Enquiry and Law Life Assurance

Glynnwood

Lambert Howard

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Financial Times Friday March 19 1982

COMPANIES AND MARKETS CURRENCIES, MONEY and GOLD

\$ & £ advance

Dollar advanced against most currencies as interest rates in Germany, the Netherlands and Switzerland were cut. French interest rates rose sharply, but the French franc, Italian lira and Belgian franc all fell within the European Monetary System, while the French and Italian currencies touched record lows against the dollar.

Sterling closed unchanged against the dollar, but maintained its firm trend overall, advancing against European currencies and the yen.

DOLLAR — Trade-weighted index (Bank of England) 114.3 against 113.8 on Wednesday, and 107.3 six months ago. Three-month interbank 12.68 per cent (12.45 per cent six months ago). Annual inflation rate 8.4 per cent (8.9 per cent previous month). The dollar rose from DM 2.3740 from DM 2.3754, while the Swiss franc fell to DM 1.2605 from DM 1.2625. The German currency gained ground against all members of the EMS despite a cut in the German central bank's special Lombard rate to 9½ per cent from 10 per cent.

FRENCH FRANC — EMS member (weakest). Trade-weighted index 78.6 against 78.2 on Wednesday, and 84.7 six months ago. Three-month interbank 17.4 per cent (17.1 per cent six months ago). Annual inflation rate 13.9 per cent (14.0 per cent previous month) — The franc lost ground to all major currencies at the Paris fixing, falling very sharply to the bottom of the EMS, and touching a record low against the U.S. dollar. There were reports of extremely heavy intervention by the Bank of France, selling about DM 300m, as the D-mark rose to a record FFr 2.5659 from FFr 2.5283. At the same time the dollar touched a best ever level of FFr 6.1550, against FFr 6.1330, and continued to advance above FFr 6.20 in the afternoon. The Belgian franc, which also intervened in the EMS yesterday, rose to FFr 13.0200 from 13.0500 per 100 Belgian francs at the fixing. Following the recent weakness of the franc the Bank of France increased its seven-day Treasury bill rate to 15 per cent from 15.75 per cent.

STERLING — Trade-weighted index 91.1 against 90.9 at noon, 90.8 in the morning, 90.7 at the previous close, and 87.0 six months ago. Three-month interbank 13.1 per cent (15 per cent six months ago). Annual inflation rate 11.1 per cent (unchanged from previous month). Sterling closed unchanged at \$1.8000-\$1.8105 against the dollar, after trading within a narrow range of \$1.8060-\$1.8130. It opened at \$1.8090-\$1.8100. The pound rose to DM 4.30 from DM 4.2950; to FFr 3.4150 from SwFr 3.4050, and to Yen 4.3850 from Yen 4.3650.

D-MARK — EMS member (third strongest). Trade-weighted index 122.3 against 122.9 on Wednesday, and 124.8 six months ago. Three-month interbank 9.80 per cent (12.30 per cent six months ago). Annual inflation 5.8 per cent (6.3 per cent previous month) — The D-mark improved

THE POUND SPOT AND FORWARD

	Day's spread	Close	One month	% p.a.	Three months	% p.a.	Five months	% p.a.
U.S.	1.0600-1.0730	1.0600-1.0705	0.18-0.28c dis	-1.52	0.65-0.75dis	-1.55		
Canada	2.1550-2.2010	2.1575-2.1785	0.35-0.45c dis	-2.18	1.20-1.30dis	-2.27		
Netherlands	4.71-4.75	4.72-4.75	2.1-2.5c dis	4.44	5%+5%	4.55		
Belgium	1.40-1.45	1.40-1.45	2.3-2.5c dis	7.42	7.55-10.5dis	4.45		
Denmark	14.50-14.51	14.50-14.51	2.3-2.5c dis	6.75	7.5%-10.5dis	4.45		
Ireland	1.2150-1.2240	1.2220-1.2230	0.50-0.75p dis	12.31	2.00-2.20dis	5.78		
Portugal	4.28-4.31	4.29-4.30	1.1-1.4p dis	4.19	4.50-5.50p	4.19		
Spain	188.00-189.00	188.00-189.05	20-45c dis	2.06	115-150dis	2.80		
Italy	2.334-2.361	2.335-2.361	1.2-22 live dis	10.42	55-58 dis	9.55		
Switzerland	11.14-11.25	11.14-11.22	1.2-14c dis	14.47	24-27 live dis	9.27		
Sweden	10.63-10.68	10.63-10.68	1.1-1.5c dis	5.50	1.50-1.50p	5.50		
Japan	435-441	437-438	2.70-2.80p	6.89	7.40-7.10p	6.82		
Austria	30.05-30.25	30.18-30.23	15-19p	3.16-35-28	4.17			
Switz.	3.40-3.43	3.41-3.42	2.2-2c dis	7.91	8.50-9.00	7.47		

Belgian rate is for convertible francs. Financial franc 88.00-90.00.

Six-month forward dollar 1.32-1.42c dis, 12-month 2.35-2.50c dis.

THE DOLLAR SPOT AND FORWARD

	Day's spread	Close	One month	% p.a.	Three months	% p.a.	Five months	% p.a.
UK	1.0600-1.0730	1.0600-1.0705	0.18-0.28c dis	-1.52	0.65-0.75dis	-1.55		
Ireland	4.71-4.75	4.72-4.75	2.1-2.5c dis	4.44	5%+5%	4.55		
Belgium	1.40-1.45	1.40-1.45	2.3-2.5c dis	7.42	7.55-10.5dis	4.45		
Denmark	14.50-14.51	14.50-14.51	2.3-2.5c dis	6.75	7.5%-10.5dis	4.45		
Ireland	1.2150-1.2240	1.2220-1.2230	0.50-0.75p dis	12.31	2.00-2.20dis	5.78		
Portugal	4.28-4.31	4.29-4.30	1.1-1.4p dis	4.19	4.50-5.50p	4.19		
Spain	188.00-189.00	188.00-189.05	20-45c dis	2.06	115-150dis	2.80		
Italy	2.334-2.361	2.335-2.361	1.2-22 live dis	10.42	55-58 dis	9.55		
Switzerland	11.14-11.25	11.14-11.22	1.2-14c dis	14.47	24-27 live dis	9.27		
Sweden	10.63-10.68	10.63-10.68	1.1-1.5c dis	5.50	1.50-1.50p	5.50		
Japan	435-441	437-438	2.70-2.80p	6.89	7.40-7.10p	6.82		
Austria	30.05-30.25	30.18-30.23	15-19p	3.16-35-28	4.17			
Switz.	3.40-3.43	3.41-3.42	2.2-2c dis	7.91	8.50-9.00	7.47		

Belgian rate is for convertible francs. Financial franc 88.00-90.00.

Six-month forward dollar 1.32-1.42c dis, 12-month 2.35-2.50c dis.

THE POUND SPOT AND FORWARD

	Day's spread	Close	One month	% p.a.	Three months	% p.a.	Five months	% p.a.
U.S.	1.0600-1.0730	1.0600-1.0705	0.18-0.28c dis	-1.52	0.65-0.75dis	-1.55		
Canada	2.1550-2.2010	2.1575-2.1785	0.35-0.45c dis	-2.18	1.20-1.30dis	-2.27		
Netherlands	4.71-4.75	4.72-4.75	2.1-2.5c dis	4.44	5%+5%	4.55		
Belgium	1.40-1.45	1.40-1.45	2.3-2.5c dis	7.42	7.55-10.5dis	4.45		
Denmark	14.50-14.51	14.50-14.51	2.3-2.5c dis	6.75	7.5%-10.5dis	4.45		
Ireland	1.2150-1.2240	1.2220-1.2230	0.50-0.75p dis	12.31	2.00-2.20dis	5.78		
Portugal	4.28-4.31	4.29-4.30	1.1-1.4p dis	4.19	4.50-5.50p	4.19		
Spain	188.00-189.00	188.00-189.05	20-45c dis	2.06	115-150dis	2.80		
Italy	2.334-2.361	2.335-2.361	1.2-22 live dis	10.42	55-58 dis	9.55		
Switzerland	11.14-11.25	11.14-11.22	1.2-14c dis	14.47	24-27 live dis	9.27		
Sweden	10.63-10.68	10.63-10.68	1.1-1.5c dis	5.50	1.50-1.50p	5.50		
Japan	435-441	437-438	2.70-2.80p	6.89	7.40-7.10p	6.82		
Austria	30.05-30.25	30.18-30.23	15-19p	3.16-35-28	4.17			
Switz.	3.40-3.43	3.41-3.42	2.2-2c dis	7.91	8.50-9.00	7.47		

Belgian rate is for convertible francs. Financial franc 88.00-90.00.

Six-month forward dollar 1.32-1.42c dis, 12-month 2.35-2.50c dis.

THE DOLLAR SPOT AND FORWARD

	Day's spread	Close	One month	% p.a.	Three months	% p.a.	Five months	% p.a.
U.S.	1.0600-1.0730	1.0600-1.0705	0.18-0.28c dis	-1.52	0.65-0.75dis	-1.55		
Canada	2.1550-2.2010	2.1575-2.1785	0.35-0.45c dis	-2.18	1.20-1.30dis	-2.27		
Netherlands	4.71-4.75	4.72-4.75	2.1-2.5c dis	4.44	5%+5%	4.55		
Belgium	1.40-1.45	1.40-1.45	2.3-2.5c dis	7.42	7.55-10.5dis	4.45		
Denmark	14.50-14.51	14.50-14.51	2.3-2.5c dis	6.75	7.5%-10.5dis	4.45		
Ireland	1.2150-1.2240	1.2220-1.2230	0.50-0.75p dis	12.31	2.00-2.20dis	5.78		
Portugal	4.28-4.31	4.29-4.30	1.1-1.4p dis	4.19	4.50-5.50p	4.19		
Spain	188.00-189.00	188.00-189.05	20-45c dis	2.06	115-150dis	2.80	</	

Pan Am-Braniff South American deal sparks row

By PAUL SETTS IN NEW YORK

THE NOVEL \$30m deal between Pan American World Airways and Braniff International whereby Pan Am would take on most of Braniff's South American routes for four years is developing into a major row in the U.S. airline industry.

Air Florida, the fast growing Miami-based airline, has also applied to take over Braniff's South American routes and another Miami-based airline, Eastern, is also understood to be contemplating making an application with the U.S. Civil Aeronautics Board (CAB) for Braniff's South American operations.

For its part, the CAB has already indicated it is concerned and confused by the Pan Am-Braniff deal announced on Wednesday night and designed to bail out Braniff, which is currently facing a desperate cash squeeze.

The deal is the first of its kind between two competing U.S. airlines. The CAB faces the difficult task of deciding whether the arrangement would reduce competition on U.S. flights to Latin America. At the same time, if it does not approve the deal, the CAB could eventually be blamed should Braniff go bankrupt.

Braniff claims the deal "means nothing less than survival" for the loss-plagued airline and is pressing the CAB to give immediate approval to

the Pan Am transaction.

The deal would give Pan Am, which with Braniff is the main U.S. carrier in the U.S.-South American market, all Braniff South American operations with the exception of Venezuela. In return, Pan Am would pay Braniff \$7m in cash immediately, an additional \$13m after CAB approval and a further \$10m in 1983.

But Air Florida, which filed an application to operate Braniff's South American routes only 11 minutes after Pan Am and Braniff announced their venture, has argued that if Braniff cannot carry out its obligations then all airlines should have an opportunity to bid for them.

Air Florida, which until recently was run by Mr Edward Acker, who now heads Pan Am, claimed the deal was not in the public interest because Pan Am already owned significant U.S. Latin American route rights.

Eastern has also claimed that the deal was tantamount to making Pan Am the exclusive U.S. airline in South America. Both Air Florida and Eastern are present in the South American market. The stakes are particularly high as Pan Am, Air Florida and Eastern all operate out of Miami airport which is fast becoming the main gateway to the Americas. Moreover, about 80 per cent of Braniff's Latin American flights originate in Miami.

Westland Utrecht passes dividend after annual loss

By OUR FINANCIAL STAFF

THE TROUBLED Dutch mortgage bank, Westland Utrecht Hypotheekbank, is to pass its dividend for 1981 after a Fl 143m reverse to a Fl 122.7m (\$26.1m) net loss last year.

The bank also said it was looking into the opportunities available to it now that the central bank has agreed to consider applications from commercial banks and financial institutions to take larger shareholdings in mortgage banks.

Westland has already received considerable support from the financial community, with the

Nova in new move on Alsands project

By Robert Gibbons in Montreal

NOVA, the big west Canadian energy group headed by Mr Robert Blair has made a new proposal which could keep Alberta's C\$13bn (US\$10.7bn) Alsands oil sands project alive.

Mr Blair was present when Mr Marc Lalonde, Federal Energy Minister, and Mr Merv Leitch, Alberta's Energy Minister, met this week for further Alsands negotiations in Winnipegs.

While Nova is not revealing full details of its proposals, it would involve a major financial restructuring of the project.

A minimum rate of return of 20 per cent would be guaranteed, broader government loan support would be given and larger government cash grants. A number of other provisions are designed to attract private sector companies so that full tax write-offs available could be applied.

Nova could take a 25 per cent interest and four or five other companies could become investors in Alsands if the commercial terms were satisfactory.

Alsands would produce nearly 140,000 barrels a day of synthetic oil from tar sands extraction plant in northern Alberta.

The project is already three years behind schedule, primarily because of the long Federal Provincial quarrel on oil and gas revenue sharing and prices.

Both Federal and Alberta Governments have argued up to now that Alsands was needed to meet the national oil self sufficiency target, but in recent weeks their commitment has weakened.

Shell Canada, which has spent more than C\$100m in preparatory work for the project, retains a 25 per cent interest as operator and Gulf Canada 8 per cent. Both companies have said that unless agreement for a go-ahead is reached by the end of this month they will pull out.

Petro-Canada, the national oil company, inherited a 17 per cent interest in Alsands last year with its takeover of Petro-Canada.

Nova has capital commitments of more than C\$200m in the next two or three years for oil and gas exploration and development, heavy oil development in Saskatchewan for petrochemicals and its equity role in the Alaska Highway gas pipeline in Canada.

At the operating level the bank was in the black by Fl 17.3m last year, with most of the slightly improved Fl 110.7m profit from its loan division offset by almost doubled losses of Fl 93.4m in the property division. In 1980 there was a Fl 54.5m operating profit.

Westland has already received considerable support from the financial community, with the

central bank last year forming a consortium of banks and financial institutions to buy Westland's mortgage bonds in a move to restore order to the mortgage bond market. Later a leading pension fund agreed to buy Fl 3bn of mortgages from Westland.

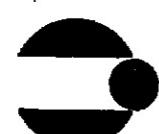
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New Issue



TransCanada PipeLines Limited (incorporated under the laws of Canada)

U.S.\$100,000,000

16 per cent. Notes due 15th March 1992.

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited
CIBC Limited
Hambros Bank Limited
Nesbitt, Thomson Limited
Société Générale de Banque S.A.
S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V. Anno International Limited
Bank of America International Limited
Bank Leu International Ltd.
Banque Internationale à Luxembourg S.A.

Baring Brothers & Co., Limited
Berliner Handels- und Frankfurter Bank
Bayerische Landesbank Girosentral
Bayerische Vereinsbank Aktiengesellschaft

Chase Manhattan Limited
Copenhagen Handelsbank
Credit Industriel et Commercial
Credit Lyonnais
Denavit Reynolds Overseas Ltd.
Deutsche Girozentrale-Deutsche Kommanditbank
Dresdner Bank Aktiengesellschaft
Gefina International Limited
Girosentral and Bank der Österreichischen Sparkassen Aktiengesellschaft
Handelsbank N.W. (Overseas) Limited

Kleinwort, Benson Limited
Lazard Frères & Co.
McLeod Young Wer International Limited
B. Metzger & Sohn & Co.
Morgan Grenfell & Co. Limited
Nederlandse Middenstandsbank N.V.

Nordic Bank Limited
Privatbanken A/S Rabobank Nederland
Schreider, Minchoven, Hengst & Co.
Smith Barney, Harris Upham & Co. Incorporated
Tradition International S.A.

Verband Schweizerischer Kantonalbanken
Westdeutsche Landesbank Girosentral

Salomon Brothers International
Deutsche Bank Aktiengesellschaft
Merrill Lynch International & Co.
Orion Royal Bank Limited
Swiss Bank Corporation International Limited
Wood Gundy Limited

Banca del Gottardo
Bank of Helsinki Limited
Banque Bruxelles Lambert S.A.
Banque Nationale de Paris

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bear, Stearns & Co.
Bergen Bank

Chase Bank International Group
Comptoirs de Banque et d'Investissements, CBI

Credit Suisse First Boston Limited
Crédit Lyonnais

Daiwa Europe Limited
Dominion Securities Amex Limited
European Banking Company Limited

Genossenschaftliche Zentralbank AG-Vienna
Goldman Sachs International Corp.

Kansallis-Osake-Pankki

Kuwait International Investment Co. s.a.k.
Kuwait Investment Company (S.A.K.)

LTCB International Limited

Merci, Finck & Co.

Midland Doherty Limited
Morgan Guaranty Ltd.

Nomura International Limited
Nordeutsche Landesbank Girosentral

Sal Oppenheim Jr. & Co.
Pierson, Fielding & Pieron N.Y.

Schoeller & Co., Bankaktiengesellschaft

J. Henry Schroder Wag & Co. Limited

Skandinaviska Enskilda Banken

Svenska Handelsbanken

Société Générale

Union Bank of Finland Ltd.

J. Vontobel & Co.

Yannicelli International (Europe) Limited

David Lascelles looks at Kawasaki Heavy's \$275m New York subway car deal

A contract a foreigner was sure to win

A PREDICTABLE rumpus yesterday greeted the decision by New York's Metropolitan Transportation Authority to award a \$275m subway car contract to Kawasaki Heavy Industries of Japan and not a U.S. company. But the truth of the matter is that the U.S. subway car building industry has been so hard hit that only one domestic manufacturer survives — the Budd Company — and it is owned by Thyssen of West Germany.

Like so many heavy industries in the U.S., the railroad equipment business has been cut to ribbons by foreign competition. The hope of bringing down the price is to bring down the price. Initially the invitation to tender attracted only Kawasaki and the Budd Company, and the MTA failed to persuade the Pullman Company to go back on its recent decision to pull out of the railway passenger equipment business. (Pullman has just been taken over and its new masters, Wheelabrator-Frye, have firm ideas about what they want to do with it.) But the MTA did succeed in getting the Budd Company to go back on its recent decision to pull out of the railway passenger equipment business. (Pullman has just been taken over and its new masters, Wheelabrator-Frye, have firm ideas about what they want to do with it.)

But the cheapness of the financing was not its only appeal. It also enabled the MTA to get around a U.S. law which obliges local authorities to "buy American" when projects are financed by funds from the Federal Government. As it is, the subway deal will now be

financed in part by the Japanese Government and in part from the MTA's own resources, mainly bonds sold in the capital markets.

However, the MTA sought the largest number of bidders possible to head off controversy and sharpen competition in the hopes of bringing down the price.

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In awarding the contract to Kawasaki, the MTA insisted that as many of the components as possible be made in the U.S.

The proportion will probably be around 43 per cent. It cannot

be more than 50 per cent

because that would disqualify it

from the Japanese export

market.

In the final contest, Budd was asking slightly less than Kawasaki, but because it could not complete delivery before 1987, the effective final cost including the delay would have been

Kawasaki's triumph further reinforces its strong position in the U.S. mass transit market where it is already supplying cars for Philadelphia's subway system. But many other foreign concerns are in on the act too.

Japan's Tokyu Car Corporation is making trams for Buffalo

Breda Ferrovial of Italy supplied the new subway systems in Cleveland and Washington, DC. Siemens-Dilwag of West Germany is

making trams for San Diego and Franco-Belge is supplying cars for the new mass transit system in Atlanta, Georgia.

Safra to merge TDBH with Republic New York

BY WILLIAM HALL, BANKING CORRESPONDENT

MR EDMUND SAFRA, who controls one of the world's biggest private banking empires, is planning to merge his Luxembourg-based master company, Trade Development Bank Holdings (TDBH), with its New York affiliate, Republic New York Corporation (RNYC).

Mr Safra owns close to two-thirds of TDBH, whose main assets are Trade Development Bank, the largest foreign-owned bank in Switzerland, and 61 per cent of Republic National, which owns New York's eleventh largest bank.

TDBH is already three years behind schedule, primarily because of the long Federal Provincial quarrel on oil and gas revenue sharing and prices.

Both Federal and Alberta Governments have argued up to now that Alsands was needed to meet the national oil self sufficiency target, but in recent weeks their commitment has weakened.

Shell Canada, which has spent more than C\$100m in preparatory work for the project, retains a 25 per cent interest as operator and Gulf Canada 8 per cent.

RNCY is quoted on the New York Stock Exchange and TDBH on the Luxembourg and London stock exchanges. The combined group boasts total assets of \$12bn and capital resources of \$920m.

The boards of TDBH and RNYC said yesterday they had decided after careful consideration of a preliminary internal study to investigate further the possibility of an amalgamation.

It has not yet been decided which entity would be the ultimate parent company but the moment it seems more likely that Republic National will emerge as the top company.

Although established some years after the Swiss bank, it has been growing more rapidly and its assets of \$7.7bn are

roughly three times as large as

Trade Development Bank

through the hidden reserves of the Swiss BZB and the Luxem-

INTERNATIONAL CAPITAL MARKETS

Gulf Oil offers \$175m bond

BY ALAN FRIEDMAN

TWO NEW Eurodollar bonds the Gulf deal is priced aggressively, but it is a Triple A issue and the market is currently emphasising its traditional penchant for quality issuers.

At the other end of the spectrum is the new \$150m 10-year issue for Bancares, the Mexican public works financing bank. S. G. Warburg is leading the offer, which provides a 17.4 per cent coupon at par and a bondholder's redemption option after five years.

In the secondary market prices of fixed-interest Eurodollar bonds increased by 1 point yesterday in moderate trading. There is a firm underwriting to the dollar sector and yesterday's European interest rate reductions should provide further encouragement.

From Tokyo comes the news that a planned \$100m conver-

table bond issue for Mitsubishi Corporation is being postponed because of the recent slumps in Japanese share prices. Morgan Stanley was to have been a joint lead-manager.

The D-mark and Swiss franc foreign bonds were both firm last night as a result of interest rate cuts in both countries. Prices rose by as much as 1 point.

Australia's \$100m 10-year issue through Credit Suisse was offered yesterday with a lower than indicated coupon. The coupon was cut from 9.4 to 9.1 per cent for this popular name.

Peter Montagnac adds:

Kansas City Power and Light has arranged a \$100m three-year revolving Eurocredit under the sole lead management of Merrill Lynch. The credit bear-

a margin of 1 per cent over Libor.

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Siemens sees no sustained recovery

By Stewart Fleming in Frankfurt

SIEMENS, the leading West German electronics group, warned shareholders yesterday that with sales growth of between 3 and 10 per cent the company could not expect a sustained improvement in operating profits this year.

Dr Karlheinz Kasten, the chief executive, told shareholders at the annual meeting, however, that a wide range of measures were being taken to improve productivity and earnings.

In the year ended September 1981 group net profits fell by 19 per cent to DM 569m (\$214m).

Dr Kasten disclosed that in the first five months of the current financial year sales revenues rose by 12 per cent to DM 14.6m and orders increased by 11 per cent. But he pointed out that the order book increase reflected a 22 per cent rise in foreign orders, which was matched by a 3 per cent fall in domestic orders.

However, capacity utilisation and employment levels in the company had not improved. In fact, over the opening months of the year employment had fallen by 7,000, with domestic employment down by 4,200.

Dr Kasten conceded that with hindsight the company felt it had expanded its data processing and electronic components divisions too quickly. Both divisions were heavy loss-makers last year, although losses "would be lower" in 1982.

Standard Elektrik Lorenz, the German subsidiary of ITT, and one of Siemens' major competitors, is cutting its workforce by more than 600 because of a shortfall of orders.

Swiss bank lifts profit

By John Wicks in Zurich

BANCA DELLA Svizzera Italiana is to pay an increased dividend of 12.2 per cent for 1981, after a 16 per cent improvement in net earnings to Swiss Fr 22.7m (\$15.3m).

The bank, the biggest in Italian-speaking Switzerland, paid 12 per cent for 1980. It booked a 20.5 per cent rise in balance sheet total last year to Swiss Fr 42.3bn and growth this year is expected to lead to an increase in capital.

BASE LENDING RATES

A.B.N. Bank	13%
Allied Irish Bank	13%
American Express Bk	13%
Amro Bank	13%
Henry Ansbacher	13%
Arbutinot Latham	13%
Associates Cap. Corp.	13%
Banco de Bilbao	13%
BCCI	13%
Bank Hapoalim BM	13%
Bank Leumi (UK) plc	13%
Bank of Cyprus	13%
Bank Street Sec. Ltd.	13%
Bank of N.S.W.	13%
Banque Belge Ltd.	13%
Banque du Rhone et de la Tamise S.A.	13%
Barclays Bank	13%
Beneficial Trust Ltd.	13%
Bremar Holdings Ltd.	13%
Brit. Bank of Mid. East	13%
Brown Shipley	13%
Canada Permit Trust	13%
Castle Court Trust Ltd.	13%
Cavendish Gty Fst Ltd.	13%
Clyzer Ltd.	13%
Cedar Holdings	13%
Charterhouse Jephcott	13%
Chuburton	13%
Citibank Savings	13%
Clydesdale Bank	13%
C. E. Coates	13%
Consolidated Credits	13%
Corinthian Secs.	13%
The Cymru Popular Blk	13%
Dunlop Loprie	13%
Eagle Trust	13%
E.T. Trust	13%
Exeter Trust Ltd.	13%
First Nat. Fin. Corp.	13%
First Nat. Secs. Ltd.	13%
Robert Fraser	13%

Michelin warns of steep drop in 1981 earnings

BY TERRY DODSWORTH IN PARIS

MICHELIN, the multinational French tyre group, warned yesterday that its 1981 results would show a serious fall in consolidated profits, despite an increase in turnover and efforts to reduce stocks.

This year was unlikely to produce any improvement unless there was a significant upturn in the international economy, it added.

Michelin's statement, made

in documents accompanying a FF 700m (\$117) bond issue, included few figures. But it broadly confirms private forecasts on the Paris Bourse about the company's recent performance.

Since depression set in throughout the European car commercial vehicles industry, Michelin says it has taken measures to adjust its production. These include extensive

lay-offs in its French plants, where stock levels last year grew by between 30 per cent more than normal for cars and 70 per cent for lorries.

The group, one of the largest quoted companies on the bourse after the Government's nationalization programme, says that its action to cut costs should lead to an improvement in 1983, even if the economic situation does not improve.

Dutch retailer passes dividend

By Our Financial Staff

KKB, the Dutch department stores group which recently announced major staff cuts, has emerged from 1981-82 with a pre-tax loss of Fl 34m (\$1.3m), nearly three-quarters of which was incurred during the second half of the year.

The loss, which follows on from a Fl 8.6m interim deficit, compares with a profit of Fl 16.2m in the year ended January 1981. It has forced KKB to pass its dividend, against a payment of Fl 3.60 a share in 1980-81.

Sales rose by a tenth to Fl 3.2bn but were down in volume terms. With controls on consumer spending now in their third year, retail sales in Holland have been weak. KKB experienced a 5 per cent decline in consumer spending last year which, coupled with increased competition and heavier costs, has been responsible for the company's slide.

Losses on the steel side, amounting to Fl 44.4m, could not be balanced by a 20 per cent improvement in manufacturing earnings to Fl 60m, a sector that has grown to account for 42 per cent of sales.

Operating losses totalled Fl 14.5m, against a profit of Fl 16.2m. KKB points out that losses arising from the closure of a store in Utrecht also contributed to the negative result.

Last December, the company announced plans to lay off between 1,300 and 1,500 of its 12,000 staff.

Kloeckner to seek Bonn aid

BY JAMES BUCHAN IN DUISBURG

KLOECKNER - WERKE, the major West German steelmaker, expects to break even this year after suffering its worst year in 1980-81. Yet despite its optimism, based largely on the higher EEC steel prices now in force or expected later in the year, the Duisburg concern is to apply to Bonn for state assistance.

Herr Herbert Gienow, the chief executive, said that, within the next three months he

would present proposals for state funds to aid restructuring and the reduction of steel capacity.

Last year, Kloeckner re-

corded a loss of DM 86m on worldwide external sales of DM 5.7bn, compared with a break-even on sales of DM 5.9bn the year before. A major contributor to the poor performance, the company said, was the current European steel quota system which restricted its modern plant in Bremen to a mere 50 per cent of capacity.

Losses on the steel side, amounting to DM 44.4m, could not be balanced by a 20 per cent improvement in manufacturing earnings to DM 60m, a sector that has grown to account for 42 per cent of sales.

OECD CAPITAL MARKETS REPORT

Dollar share down as bond issues grow

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NEW BOND issues in international capital markets ran at a record annual rate of \$76.5bn in the first two months of this year, sharply above the \$66.5bn figure in the final quarter of last year, according to latest statistics from the Organisation for Economic Cooperation and Development.

A sharp fall in fixed interest U.S. dollar bonds during the period was more than offset by issues in other currencies and zero-coupon bonds, floating rate notes and convertible bonds.

The OECD says the overall volume of funds to be raised by the new international bond market slipped to 59 per cent in the first two months from 63.2 per cent in the final 1981 quarter,

To some extent this relative shift in investors' attitudes has affected the Eurodollar bond market as well, the OECD says.

The decline in issue volume of straight dollar bonds was particularly apparent in the New York-based Yankee sector, while secondary market prices of dollar Eurobonds have been much less volatile than those in the New York market.

It says that the overall volume of funds likely to be raised in the international capital markets this year is still likely to remain little changed

on the underlying level of last year. This means about \$145bn, a figure which covers volume in both the bond and Eurocredit markets.

The volume of new Eurocredits during the first two months of the year was only \$78.5bn at an annual rate, the OECD figures show. This compared with \$103.8bn in the final quarter of 1981.

While average credits fell to 6.6 per cent from 6.9 per cent, there was a further fall in the average maturity of individual loans which was only seven years and six months compared with seven years and seven months in the preceding quarter. In the first quarter of 1981, the average maturity was eight years and four months.

No new credits were arranged with a 1 per cent margin, the

OECD says, so that the average margin paid by OECD borrowers actually rose to 0.49 per cent from 0.46 per cent.

Commenting on trends in the syndicated loan market, the

OECD says that supply/demand relationships point towards some further hardening of credit conditions, though this will be uneven with significantly tighter terms for lesser credit risks.

INTERNATIONAL CAPITAL MARKET CONDITIONS

Volume (\$bn) at annual rate

	1981 (quarterly)	1982			
	1st	2nd	3rd	4th	(Jan/Feb)
Bonds:	32.8	50.7	41.7	66.5	76.5
of which:					
Eurodollar	13.5	20.5	20.8	30.7	42.7
U.S. domestic	3	11.2	4.9	11.3	2.4
Eurocredits	48.5	105.3	271.5*	103.8	78.5
Average margin (%)	0.7	0.77	0.69	0.69	0.64
Average life (year/month)	8/4	7/9	7/10	7/7	7/6

* Includes credits arranged by U.S. companies in connection with mergers and acquisitions.

Source: OECD Financial Market Trends

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Banco Nacional de Desarrollo

Argentina

U.S. \$20,000,000

Medium Term Financing

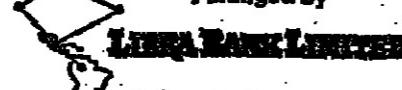
in connection with the Oil Refinery Project of Isaura S.A.

Managed and Provided by

Arab Bank for Investment and Foreign Trade (ARBIFF), Abu Dhabi
Banco Itau S.A. - Grand Cayman Branch
European Arab Bank Group
Libra Bank Limited

Takugin International Bank (Europe) S.A.

Arranged by



As Agent

February 1982

SCHLUMBERGER LIMITED

The following is the Statement of the Chairman and President, MR. J. RIBOUD, which has been circulated to Shareholders with the Annual Report for 1981.

In 1981, net income crossed the billion dollar line. Quite a different order of magnitude from the figure I remember when I joined Schlumberger some thirty years ago. Luck, circumstances, hard work, a bit of everything, I suppose, made it happen.

Net income for the year was \$1.27 billion, up 37% over the previous year, if one excludes the non-recurring profit on the sale of the Rowan shares in the last quarter of 1980. Revenues of almost \$6 billion show an increase of 19% on a comparable basis.

Quarter by quarter, the year started strong and finished strong. Net income improvement was 42% for the first quarter, 27% for the second, 38% for the third and 44% for the last quarter excluding the Rowan profit.

As the year unfolded, the fundamental trends did not change appreciably.

Oilfield activity was very strong, throughout the year, throughout the world. Canada was probably the only exception to a global picture of intense exploration and development of gas and oil fields, by national companies as well as by private companies. The wireline, or logging business, had the most spectacular growth but was followed closely by all the other oilfield services.

Fairchild lost money during the year. Not

a spectacular amount, but nevertheless lost money. We have to go back quite a few years to see a major unit of Schlumberger in the red. It is not surprising. The semiconductor business is in the doldrums, and yet we accelerated the investment program, the Research & Engineering budget, the strengthening of management.

Measurement & Control units were profitable, although the business environment was affected in the United States by the economic slowdown and in Europe by the wide fluctuations of currencies.

To a lesser extent two other factors, lower taxes and higher interest income, contributed to this record year. Overall effective tax rate was down 3 points, compared to the previous year. This reduction results from a lower proportion of income from high tax countries and from tax credits in the United States and in the United Kingdom. The second factor is the increased liquidity generating higher interest income. In 1981, fixed assets additions were over a billion dollars. At year-end, \$1.6 billion were invested in short-term securities.

A stockholder wrote me recently: "The better your results, the higher your earnings, the lower your stock. Please explain." I am not a stock market expert, nor do I always understand the movements of Wall Street.

However, I believe that the public has two main worries concerning the future. What will happen to the price of crude oil? What will happen to the economy in the United States?

It is not so long ago that the media were predicting the end of our industrial civilization because the world was running out of oil. Today, the same media are full of the oil glut. There is a very short time lag between too much and too little, between scarcity and surplus. Two years ago, almost to the day, I wrote: "Thirty years in the oil industry have taught me a simple conviction.

If you want to find oil, you have to look for it; if you look, you find oil. The search has started and the finds are coming in." So goes the world, in cycles. There is no doubt that the steep and repeated increases in the price of oil have brought about significant discoveries and a noticeable reduction in the demand for hydrocarbons. The slowdown of the world economy has accelerated the process. Will this result in the price of crude oil tumbling down, playing havoc with the cash flow of oil operators and cutting down exploration programs? The risk exists and scares the stock market. How serious, how threatening is this risk. Obviously, I do not have the answer but years of experience might help.

At the present world price of oil, drilling for oil in the United States is very profitable. It would take a major drop in price to make it unprofitable.

Ten years ago, outside North America, the list of our top customers were the nine largest publicly held oil companies and one national oil company. Last year, the same list showed nine national oil companies and only one private company. It would take a major decline in the price of crude for the national companies to change drastically their exploration programs. Many countries are fighting for their energy autonomy as they fought for their political independence. They will do it even if there is a temporary surplus of oil.

Saudi Arabia had a determining role in stabilizing the price of crude when many experts were expecting \$40 or \$50 per barrel. I believe that Saudi Arabia has the means and the will to play the same role when the price is under pressure.

It is always easier to be gregarious. It is always dramatic to announce the most possi-

ble scenario. I

This announcement appears as a matter of record only



Società Anonima Elettrificazione S.p.A.

U.S.\$ 23.000.000

Medium Term Loan

Lead managed by

Compagnia Privata di Finanza e Investimenti S.p.A.
Italian International Bank Limited
RASFIN S.p.A.

Managed by

Banco di Napoli - New York Branch
BAI Bank (Cayman) Ltd.
Société Générale de Banque S.A.

Provided by

BAI Bank (Cayman) Ltd.
Banca Nazionale dell'Agricoltura - New York Branch
Banco di Napoli - New York Branch
Banco di Santo Spirito (Luxembourg) S.A.
Italian International Bank Limited
Société Générale de Banque S.A.
Turis AG - Finanz- und Verwaltungsgesellschaft

Agent

Italian International Bank Limited



February 1982

**HILLS
BROS.
COFFEE, INC.**

\$50,000,000

Three-year Revolving Credit

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BANK OF AMERICA NT & SA
THE BANK OF CALIFORNIA, N.A.
CITIBANK, N.A.
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
WELLS FARGO BANK, N.A.

AGENT:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Morgan Guaranty Trust Company of New York served as financial advisor to Hills Bros. Coffee, Inc. in arranging the transaction and in the plan of recapitalization which preceded it.

This announcement appears as a matter of record only.

March 9, 1982

Notice of Merger of INA Corporation

To Holders of

INA OVERSEAS FINANCE N.V.

8½% Convertible Subordinated Debentures Due September 1, 2000

NOTICE IS HEREBY GIVEN pursuant to Section 1106 of the Indenture dated as of September 1, 1980 entered into among INA Overseas Finance N.V., a Netherlands Antilles Corporation, INA Corporation, a Pennsylvania Corporation ("INA"), as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, in connection with the issuance of the above-referenced Debentures, that pursuant to the terms and conditions of the Agreement and Plan of Merger dated as of November 6, 1981, as amended, by and among INA, Connecticut General Corporation, a Connecticut Corporation, and North American General Corporation (now known as CIGNA Corporation) ("CIGNA"), a Delaware Corporation, and the Related Plan of Merger, by and among INA, CIGNA and INA Merger Corporation, a Pennsylvania Corporation ("IMC"), INA will merge with and into IMC, a wholly-owned subsidiary of CIGNA ("the Merger"). Under the terms of the Merger each INA Common Share outstanding on the date of the Merger will be converted into 0.8534 of a share of CIGNA Common Stock, par value \$1 per share, and 0.158 of a share of \$2.75 Cumulative Convertible Preferred Stock, Series A, par value \$1 per share of CIGNA.

The Merger is expected to become effective on March 31, 1982, and it is expected that holders of INA Common Shares will be entitled to exchange such shares for securities of CIGNA deliverable upon the Merger on March 31, 1982.

INA CORPORATION

March 19, 1982

Notice of Merger of INA Corporation

To Holders of

INA OVERSEAS FINANCE N.V.

6% Convertible Subordinated Debentures Due 1997

NOTICE IS HEREBY GIVEN pursuant to Section 1106 of the Indenture dated as of August 1, 1977 entered into among INA Overseas Finance N.V., a Netherlands Antilles Corporation, INA Corporation, a Pennsylvania Corporation ("INA"), as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, in connection with the issuance of the above-referenced Debentures, that pursuant to the terms and conditions of the Agreement and Plan of Merger dated as of November 6, 1981, as amended, by and among INA, Connecticut General Corporation, a Connecticut Corporation, and North American General Corporation (now known as CIGNA Corporation) ("CIGNA"), a Delaware Corporation, and the Related Plan of Merger, by and among INA, CIGNA and INA Merger Corporation, a Pennsylvania Corporation ("IMC"), INA will merge with and into IMC, a wholly-owned subsidiary of CIGNA ("the Merger"). Under the terms of the Merger each INA Common Share outstanding on the date of the Merger will be converted into 0.8534 of a share of CIGNA Common Stock, par value \$1 per share, and 0.158 of a share of \$2.75 Cumulative Convertible Preferred Stock, Series A, par value \$1 per share of CIGNA.

The Merger is expected to become effective on March 31, 1982, and it is expected that holders of INA Common Shares will be entitled to exchange such shares for securities of CIGNA deliverable upon the Merger on March 31, 1982.

INA CORPORATION

March 19, 1982

Swire Properties shows 59% gain

By Our Hong Kong Correspondent

SWIRE PROPERTIES, a quoted subsidiary of the Swire Group, has reported attributable profits for 1981 of HK\$801.3m (US\$137.7m), an increase of 58 per cent from 1980's HK\$503.2m. A final dividend of 32 cents a share makes a total of 48 cents for the year, against an adjusted 40 cents a year earlier.

Sale of the company's Oriental Plaza in Kuala Lumpur contributed a profit of HK\$191m. Hong Kong profits advanced from HK\$492.7m to HK\$809.2m, but U.S. profits fell back from HK\$22.7m to HK\$13.7m. Turnover rose 36 per cent to HK\$1.43bn (US\$244m).

An investment property revaluation has thrown up a surplus over the year of HK\$498.8m which together with retained profits boosts fully-diluted net assets per share from HK\$7.78 to HK\$9.31. Fully-diluted earnings per share were 134 cents in 1981, against 85 cents in 1980.

Mr Duncan Black, chairman, expects rental income to increase by at least 50 per cent this year, with substantial further increases in following years as new investment properties come on stream.

He cautions, however, that in 1981 "there was a substantial reduction in the number of new sales of residential units" in Hong Kong, which if sustained would have "an adverse effect on 1982 profits as compared with results achieved in 1981."

But because of reserves of land and development stock acquired at relatively low prices Swire Properties was "well placed to meet these difficulties."

INTERNATIONAL COMPANIES and FINANCE

ANNUAL FORECAST REVISED DOWNWARD

Modest profits growth at Sony

BY YOKO SHIBATA IN TOKYO

SONY CORPORATION, the major Japanese consumer electronics company, has reported modest growth in consolidated sales and profits for the first quarter ended January 31.

Net profits rose by 4.9 per cent to Y20.8bn (\$8.5m) on sales up by 9.7 per cent to Y272.9bn (\$11.4bn). The company had said in December that it hoped to maintain a sales growth rate of at least 15 per cent this year and has now revised downward its full year forecast.

Brisk sales of video tape cameras (VTRs) and higher export profits because of the

yen's depreciation offset lower sales at home.

Domestic sales slid by 17.6 per cent, reflecting the sluggish state of the Japanese economy, to account for 27 per cent of total turnover. Overseas sales rose by a similar amount to account for 73 per cent of the total.

Sales of VTRs and related cameras and recorders rose by 20.8 per cent to take a 40.6 per cent share of total sales against 32.7 per cent a year earlier.

Volume sales of VTRs rose 500,000 units, up 53 per cent

from the previous year. The company is sticking by its plan

to produce 2.5m VTRs this year.

Sales of audio equipment declined by 15.7 per cent to account for 24.6 per cent of the total, despite buoyant sales of Walkman stereo cassette players, which are projected to reach 3m units this year.

The company blamed the current audio industry recession on a lack of replacement demand as consumers wait for new technology digital audio products to reach the market by year end.

Sales of electronic sets declined by 5.9 per cent to take a 34.2 per cent share of sales despite a 10 per cent rise in sales in the U.S. and 30 per cent

in Europe.

Sony adopted the U.S. Financial Accounting Standard 52 for foreign currency translation instead of its predecessor, FAS 8. Year-end figures were restated to the new standard, and the company reported a foreign exchange loss of Y1.03bn for the quarter against a gain of Y2.79bn.

The company expects full year consolidated sales to rise by between 10 per cent and 15 per cent. It expects to at least match last year's net profits. Exchange rate fluctuations make a more precise forecast impossible.

Sharp rise in earnings at Sage Holdings

By Thomas Sparkes in Johannesburg

SAGE HOLDINGS, the South African investment company, increased its pre-tax profit by 57.5 per cent to R14.4m (\$14m) in 1981 from R9.1m in 1980.

The directors say that each of the company's major divisions operated satisfactorily and recorded high rates of growth throughout the year.

Construction and land development provided 43.1 per cent of the year's earnings; investment and management services 26.6 per cent; insurance and financial planning 18.4 per cent and property investment and management 11.9 per cent.

Last year Sage was engaged in an unsuccessful bid for Uniseec, the investment holding company. This resulted in Sage holding 30 per cent of Uniseec's equity. Starting this year, Sage proposes to account for its share of the results of associates and investments in which it has a stake of at least 20 per cent.

Half 1981's figure has been equity accounted earnings per share would have been 55.05 cents rather than the 48.41 cents reported. In 1980 earnings were 31.2 cents a share. A total dividend of 27 cents has been declared against 20 cents in the previous year.

Hutchison share deals cleared

BY ROBERT COTTRELL IN HONG KONG

HONG KONG'S Insider Dealing Tribunal has given a clean bill of health to dealings in Hutchison Whampoa shares around the time that the Hong Kong and Shanghai Banking Corporation sold its 22 per cent

share in the property and trading group to Mr Li Ka-shing's Cheung Kong (Holdings) in 1979.

The tribunal concludes that Hong Kong stockbroking circles knew of the deal several hours before it was announced at 11.30 pm local time on September 25, 1979.

As a result, says the tribunal, details were passed to London and trading in Hutchison shares increased there. But the leakages were so widespread that

dealers making use of the information were not "culpable" under the insider dealing ordinance.

The tribunal specifically exonerates the directors and staff of Hong Kong Bank, its merchant bank subsidiary Wardley, Hutchison and Cheung Kong from any insider trading or passing of price-sensitive information. It traces a prime leak back to a translator employed by the bank's external public relations consultants.

The translator, a part-time journalist, is said to have alerted a reporter colleague to the deal some five hours before its announcement. But because she did not do so "with a view to profit," says the tribunal, her

actions "did not amount to an insider dealing."

The case is the first to be referred under the ad hoc tribunal system, and the report makes several recommendations for the future.

The council of the London Stock Exchange is criticised for a "disappointing lack of cooperation" and the tribunal recommends that "representations be made at the highest level to persuade the council to change their policy and, if necessary, their rules."

The tribunal also suggests that it be permitted to follow less cumbersome procedure, and criticises elements of Hong Kong insider dealing law for being "unhappily drafted."

Island and Peninsula recovers

BY WONG SULONG IN KUALA LUMPUR

ISLAND AND Peninsula, the Malaysian property, plantation and mining group, reversed a decline in half-year earnings to record a 20 per cent rise in profit for the year ended January.

The group had registered a 26 per cent drop in interim earnings, but picked up strongly during the second half so that pre-tax profits rose to 32m ringgit (US\$1.4m) against 26.6m ringgit previously. Net profit was 17.8m ringgit against

16.8m ringgit.

I and P. whose property interests are concentrated in Penang and northern Malaysia, last year bought a 770 hectare estate near Kuala Lumpur for 91m ringgit for housing.

The good performance came almost exclusively from its property division, with higher sales of completed houses.

Austral Enterprises, its publicly listed plantation subsidiary, had net earnings of 2.8m ringgit or 600,000 ringgit less than before, while its Talam Mines subsidiary saw earnings fall by 34 per cent to 306,000 ringgit.

I and P. is paying a final 12 cents a share dividend, making 25 cents for the year, or 30 cents compared with 23 cents previously, after adjusting for a scrip issue.

Austral is paying 12 cents, making a total of 22 cents (33 cents compared with 24 cents after adjustment for a bonus issue) while Talam is maintaining an unchanged 15 cent dividend.

I and P. whose property interests are concentrated in Penang and northern Malaysia, last year bought a 770 hectare estate near Kuala Lumpur for 91m ringgit for housing.

This announcement appears as a matter of record only. The Notes have not been registered for offer and sale in the United States. However, certain non-public offers and a non-public sale to an institutional investor were made in the United States.

\$225,000,000

Baker International Finance N.V.

Zero Coupon Guaranteed Notes due February 25, 1992

Unconditionally Guaranteed by

Baker International Corporation

Offering Price 24.70% and Accrued Amortization of Original Issue Discount, if any, from February 25, 1982

Goldman Sachs International Corp.

Blyth Eastman Paine Webber International Limited

S.G. Warburg & Co. Ltd.

Banque Bruxelles Lambert S.A.

Banque de Paris et des Pays-Bas

Morgan Grenfell & Co. Limited

Swiss Bank Corporation International Limited

This announcement appears as a matter of record only March 19, 1982

General Purpose Lines of Credit

to finance exports of capital plant and equipment from the United Kingdom to the Republic of India

Arranged and Provided by

Lloyds Bank Plc

Lloyds Bank International Limited

£7,500,000

US\$7,500,000

to State Bank of India

Guaranteed by The Secretary of State of Her Britannic Majesty's Government acting by Export Credits Guarantee Department

South Africa borrows abroad

SOUTH AFRICA is back with a vengeance in the international capital markets. After several years of modest borrowing and net repayment of outstanding debts, there has been a flurry of activity in recent months.

A regular flow of bonds and medium-term credits has been accompanied by a marked increase in short-term borrowing by both commercial banks and the South African Reserve Bank.

Details of loans are hard to come by, for South African borrowers, both private and government, are notoriously secretive, for fear of attracting political hostility.

However, there is no doubt in the increase in tempo. The list includes:

- ABCI—the largest South African chemicals producer in which Britain's ICI and the De Beers mining group own equal 40 per cent shares, which is seeking a \$160m seven-year credit in December.

- Escom—the Electricity Supply Commission—which is likely to be by far the biggest South African borrower of medium-term funds this year, which launched a \$250m seven-year credit in February. It has also placed lately a Swiss franc bond, with Union Bank of Switzerland as lead manager, with a coupon of 8½ per cent, maturing in 1985, and priced at par.

- South African Transport Services (SATS), the state enterprise which runs the railways, harbours, and South African Airways, has already negotiated three medium-term credits, each for around \$25m this year.

- Soweto, the black township outside Johannesburg, currently investing in a major electrification scheme, which is due to sign a loan agreement for \$180m, again for seven years, next month.

At the same time as medium-term borrowers have returned to the markets, there has been a sharp increase in short-term borrowing by the banking sector. Short-term foreign liabilities of the banks (mostly with maturities of three to six months), more than quadrupled in the first nine months of last year, from R632m (\$623m) to R2.8bn (\$2.7bn).

Meanwhile, the South African Reserve Bank's borrowing to support the balance of payments jumped from nothing at the end of 1980 to R650m last October.

The Reserve Bank also encouraged the commercial banks and trading companies to borrow abroad, and thereby to protect the balance of payments by adjusting the rand's forward exchange rate against other currencies. At the end of February, private banks arranged loans worth several hundred million rand, when the domestic money market was at its tightest.

The return to foreign borrow-

ing, as with most other recent developments in the South African economy, is a function of the fall in the gold price. The gold movement turned the country's R2.8bn current account surplus of 1980 into a R4bn deficit last year. Even if the gold price recovers to an average \$450 this year (it is currently below \$335 an ounce), the 1982 deficit will exceed R2bn.

The squeeze on the balance of payments has drained the economy of liquidity, and pushed domestic interest rates up to record levels, with the commercial banks' prime lend-

ago. "We foresaw that there would be a need to have facilities offshore. We are prepared," the company says.

The Euromarkets are an important source of funds for large public sector projects which are continuing in the face of the overall economic downturn.

Escom is currently building four 3,000 MW coal-fired power stations, and will probably unveil plans for another three over the next two years.

The utility estimates that it

will need R800m during 1982

in bank credits, mainly for downpayments on equipment,

demands on the Euromarkets increasing, the authorities are well aware of the dangers of saturating foreign lenders with South African paper. "We won't be pressing the banks," Dr de Looz says. "We want to give Escom a little more scope."

Referring to South Africa's long battle to restore its acceptability in world capital markets after loans dried up during the disturbances in Black urban areas in 1976-77, Dr de Looz says: "It took us some time to get margins down, and we would not want them to go higher."

Spreads for large South African borrowers are currently between ½ of a point and 1 of a point above Libor.

With the notable exception of Swiss and German banks, many foreign institutions are still nervous about the political controversy surrounding loans to South Africa. Citicorp has been subjected to public criticism over its joint management of a \$250m credit for the Government in September, 1980.

U.S. banks these days confine their activities largely to private sector customers. "There is still a problem with U.S. banks and government loans," according to a representative of one U.S. bank in Johannesburg.

One way out has been to tie loans to specific projects benefiting Blacks, though critics maintain that this simply frees other funds for the enforcement of apartheid. The current loan for Soweto is given as an example. The September 1980 credit was also linked to projects in Black and coloured townships.

South Africa's heavy demands on the capital markets this year will push some individual banks close to their country limits. According to one leading foreign banker here, "the huge amount involved may create some problems." In particular, purely financial credits may become increasingly difficult to negotiate as banks' books are filled with project-related paper.

Margins may widen later in the year, especially if the gold price fails to recover significantly and South Africa's net foreign reserves keep falling. The maximum maturity for South African loans, set at seven years for the past two to three years, may be shortened.

But despite the country's political and economic problems, the banks are not about to stop lending.

The economy's woes are short-term ones, a representative of one of the world's biggest banks argues. Although South Africa's political future remains clouded, he says, "there has not been a noteworthy worsening" of the assessment in the past few months.

Bernard Simon

ing rate on 20 per cent. This in turn has made overseas interest rates attractive once again, high though they may be.

Balance of payments financing has continued at a high level. The Reserve Bank pledged a quarter of its gold holding—or some 3.1m ounces—as collateral for foreign exchange in gold "swaps" with foreign banks late last year. In February, it activated about \$300m in International Monetary Fund facilities.

Corporate borrowing has been required to finance large inventories and ambitious investment programmes, at a time of dwindling cash flows because of the economic downturn.

AECI's credit, believed to be the largest European borrowing made by a privately-owned South African company, had Citicorp as the lead manager, and carried a spread of ½ of a point above the London interbank offered rate (Libor).

Several other companies are understood to have borrowed smaller amounts, while others have negotiated, but not yet drawn, substantial lines of credit. Barlow Rand, South Africa's largest industrial group, began arranging medium-term credit facilities with foreign banks 18 months

with other borrowers.

This announcement appears as a matter of record only.

January 1982

The Ondo State of Nigeria

**U.S. \$30,000,000
Medium Term Loan**

for the Little Osse Water Supply Project, Phase III

Guaranteed by:

The Federal Republic of Nigeria

Lead Managed by:

**American Express Bank
International Group**

Managed by:

The Bank of Yokohama, Ltd.

Provided by:

**American Express
International Banking Corporation**

The Bank of Yokohama, Ltd.

FRAB-Bank International

European Arab Group

UBAF Bank Limited

Contractor: Edok-Eter-Mandalas Limited

Agent:

American Express International Banking Corporation

**U.S. \$15,570,096
Fixed Rate Export Financing
(Provided exclusively by
Banco Exterior de España)**

Crocker National Bank

Crocker National Bank

Allied Arab Bank Limited

MAIBL Bermuda (Far East) Limited

Industrial National Bank of Rhode Island

Bank of Crete

Marsh & McLennan Companies, Inc.

has sold its indirect subsidiary

Bowmaker Limited

to

Lloyds and Scottish Limited

C. T. Bowring & Co. Limited, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., has sold its finance house subsidiary, Bowmaker Limited, to Lloyds and Scottish Limited, a majority owned subsidiary of Lloyds Bank Limited. The aggregate proceeds were £80,000,000.

Morgan Stanley, in association with **Carburg & Co.**, developed and implemented a divestiture strategy designed to generate competition and ensure the orderly transfer of ownership of an important financial institution.

MORGAN STANLEY & CO. Incorporated

March 16, 1982

This advertisement complies with the requirements of the Council of The Stock Exchange



Development Bank of the Philippines

(Incorporated in the Republic of the Philippines)

U.S. \$30,000,000

Guaranteed Floating Rate Notes due 1990

Guaranteed by

The Republic of the Philippines

The following have agreed to subscribe or procure subscribers for the Notes:

Lloyds Bank International Limited

Fuji International Finance Limited

Allied Banking Corporation

Ayala International Finance Limited

Credit Lyonnais Hong Kong (Finance) Limited

London & Continental Bankers Limited

LTCB International Limited

Philippine Commercial and Industrial Bank

PNB International Finance Limited

Standard Chartered Merchant Bank Limited

Tokai Kyowa Morgan Grenfell Limited

The above Notes, to be issued at par with interest payable semi-annually in arrears in April and October in each year, have been admitted to the Official List of The Stock Exchange, subject only to issue. Full particulars of the Notes are contained in cards circulated by Exetel Statistical Services Limited, and copies may be obtained during normal business hours up to and including 2nd April, 1982 from the Brokers to the issue:

Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7A

19th March, 1982

This advertisement complies with the requirements of the Council of The Stock Exchange in London.
It does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S. \$30,000,000

Kajima Corporation

(Kajima Kensetsu Kabushiki Kaisha)

(Incorporated in Japan)

5% CONVERTIBLE DEBENTURES DUE 1997

The syndicate managed by the following has agreed to purchase the Debentures:

DAIWA EUROPE LIMITED

MORGAN STANLEY INTERNATIONAL

SUMITOMO FINANCE INTERNATIONAL

BANQUE NATIONALE DE PARIS

COMMERZBANK AKTIENGESELLSCHAFT

CREDIT SUISSE FIRST BOSTON LIMITED

ROBERT FLEMING & CO. LIMITED

SOCIETE GENERALE

SWISS BANK CORPORATION INTERNATIONAL LIMITED

WESTDEUTSCHE LANDES BANK GIRO ZENTRALE

The Debentures, in the denomination of U.S.\$5,000 each, with an issue price of 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Debentures. Interest is payable semi-annually in arrears on May 31 and November 30, commencing on May 31, 1982.

Particulars of Kajima Corporation and of the Debentures are available in the Exetel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including April 12, 1982 from the brokers to the issue:

James Capel & Co.,
Winchester House,
100 Old Broad Street,
London EC2N 1BQ

March 19, 1982

NEW YORK

Stock	Mar. 17	Mar. 16	Stock	Mar. 17	Mar. 16	Stock	Mar. 17	Mar. 16
Columbia Gas	384	394	Gt. At. Pco. Tea.	416	416	Schlitz Brew.	116	12
Columbia Pict.	533	561	Gt. Basin Pet.	264	264	Schulzberger	436	436
Combined Int.	200	201	Gt. Nthn. Neopka	223	223	Milton Bradley	157	174
Combust. Eng.	26	26	Gt. West Financ.	104	104	Montgomery	157	174
Comsat Corp.	100	100	Gt. W. Financ.	104	104	Motor Prod.	112	112
Comm. Satelite	534	534	Gruuman.....	213	213	Scudder Duo V	116	112
Gulf & Western	151	151	Hann. Mining	105	105	Seacor	18	18
AMF Industries	174	174	Harcourt Brace	151	151	Searle (GD)	27	27
AMF Int'l	174	174	Harris Corp.	151	151	Searle-Robuck	176	176
ARA Corp.	504	504	Hartmann	104	104	Security Pac.	204	204
ASA Corp.	28	28	Hawker Siddeley	107	107	Shell Oil	314	314
AVX Corp.	174	174	Hawaiian	105	105	Shaw Ind.	204	204
Auto. Components	124	124	Hause Mining	104	104	Signal	214	214
Acme Glass	224	224	Hausner	104	104	Sig.	438	438
Adobe Oil & Gas	184	184	Hawthorne	104	104	Sig.	438	438
Advanced Micro	204	204	Heller Ind.	17	17	Sig.	438	438
Aerospace Ind.	55	55	Hemispherical	104	104	Sig.	438	438
Ahmanson M.F.	104	104	Henderson	104	104	Sig.	438	438
Air Prod. & Chem.	33	33	Henne Mining	97	97	Sig.	438	438
Albany Int'l	244	244	Hercules	104	104	Sig.	438	438
Alberto-Culver	15	15	Hercules-GO	104	104	Sig.	438	438
Alcan Aluminum	214	214	Hess	104	104	Sig.	438	438
Alico Standard	194	194	Hershey	104	104	Sig.	438	438
Alexander & Al.	284	284	Heublen	104	104	Sig.	438	438
Allied Corp.	324	324	Hewlett-Packard	104	104	Sig.	438	438
Allied Stores	284	284	Hicks	104	104	Sig.	438	438
Allied Tech. Services	104	104	Hillman	104	104	Sig.	438	438
Alpha Portfolios	10	10	Hilton Hotels	104	104	Sig.	438	438
Alcoa	254	254	Hitchi	104	104	Sig.	438	438
Alm. Sup. Co.	254	254	Holiday Inn	207	207	Simplicity Patt.	8	8
Almax	264	264	Holy Sugar	207	207	Singer	27	27
Amidahl Corp.	184	184	Homesite	207	207	Sinatra	29	29
Am. Air Lines	144	144	Horticultural	207	207	Smith Int'l.	204	204
Am. Airlines	144	144	Hoult	207	207	Smith-Kline Beecham	614	614
Am. Brands	384	384	Hoult	207	207	Sony	124	124
Am. Broadcast	254	254	Hoult	207	207	Southeast Bank	124	124
Am. Can.	254	254	Hoult	207	207	Southw. Bank	124	124
Am. Cyanamid	254	254	Hoult	207	207	Standard Oil	124	124
Am. Elect. Power	124	124	Hoult	207	207	Nat. Steel.	124	124
Am. Express	554	554	Hoult	207	207	Nat. Steel.	124	124
Am. Gen. Finance	404	404	Hoult	207	207	Nat. Steel.	124	124
Am. Hostel & Dk.	144	144	Hoult	207	207	Nat. Steel.	124	124
Am. Int'l. Corp.	254	254	Hoult	207	207	Nat. Steel.	124	124
Am. Hosp. Supply	394	394	Hoult	207	207	Nat. Steel.	124	124
Am. Medical Int'l	184	184	Hoult	207	207	Nat. Steel.	124	124
Am. Motor	344	344	Hoult	207	207	Nat. Steel.	124	124
Am. Oil Co.	254	254	Hoult	207	207	Nat. Steel.	124	124
Am. Pet. Refining	594	594	Hoult	207	207	Nat. Steel.	124	124
Am. Quasar Pat.	94	94	Hoult	207	207	Nat. Steel.	124	124
Am. Standard	264	264	Hoult	207	207	Nat. Steel.	124	124
Am. Stores	264	264	Hoult	207	207	Nat. Steel.	124	124
Am. Tel. & Tel.	57	57	Hoult	207	207	Nat. Steel.	124	124
Amtek Inc.	254	254	Hoult	207	207	Nat. Steel.	124	124
AMP	484	484	Hoult	207	207	Nat. Steel.	124	124
Amstar	224	224	Hoult	207	207	Nat. Steel.	124	124
Amwest	254	254	Hoult	207	207	Nat. Steel.	124	124
Anchor Hockng	154	154	Hoult	207	207	Nat. Steel.	124	124
Anheuser-Busch	444	444	Hoult	207	207	Nat. Steel.	124	124
Archer Daniels	154	154	Hoult	207	207	Nat. Steel.	124	124
Armco	224	224	Hoult	207	207	Nat. Steel.	124	124
Armstrong GK	144	144	Hoult	207	207	Nat. Steel.	124	124
Armstrong Plastics	254	254	Hoult	207	207	Nat. Steel.	124	124
Arnold	154	154	Hoult	207	207	Nat. Steel.	124	124
Asarco	154	154	Hoult	207	207	Nat. Steel.	124	124
Ashland Oil	254	254	Hoult	207	207	Nat. Steel.	124	124
Ass'd D'Addos	254	254	Hoult	207	207	Nat. Steel.	124	124
Atlanta Data Prog.	254	254	Hoult	207	207	Nat. Steel.	124	124
Avco	144	144	Hoult	207	207	Nat. Steel.	124	124
Avery Intl.	254	254	Hoult	207	207	Nat. Steel.	124	124
Avnet	414	414	Hoult	207	207	Nat. Steel.	124	124
Avon Prod.	234	234	Hoult	207	207	Nat. Steel.	124	124
Babcock & Wilcox	254	254	Hoult	207	207	Nat. Steel.	124	124
Baird & Co.	254	254	Hoult	207	207	Nat. Steel.	124	124
Ban Cal.	254	254	Hoult	207	207	Nat. Steel.	124	124
Bangor Punta	154	154	Hoult	207	207	Nat. Steel.	124	124
Bank of N.Y.	354	354	Hoult	207	207	Nat. Steel.	124	124
Bankers Trust-N.Y.	504	504	Hoult	207	207	Nat. Steel.	124	124
Bart. Wright	154	154	Hoult	207	207	Nat. Steel.	124	124
Barrett Corp.	154	154	Hoult	207	207	Nat. Steel.	124	124
Bassett	154	154	Hoult	207	207	Nat. Steel.	124	124
Baxt Trav. Lab.	354	354	Hoult	207	207	Nat. Steel.	124	124
Beatrice Foods	154	154	Hoult	207	207	Nat. Steel.	124	124
Bekins	154	154	Hoult	207	207	Nat. Steel.	124	124
Bell Indus.	154	154	Hoult	207	207	Nat. Steel.	124	124
Bendix	504	504	Hoult	207	207	Nat. Steel.	124	124
Beneficial	154	154	Hoult	207	207	Nat. Steel.	124	124
Beth Steel	204	204	Hoult	207	207	Nat. Steel.	124	124
Beth Trop. Ind.	154	154	Hoult	207	207	Nat. Steel.	124	124
Bigg & D'Amico	154	154	Hoult	207	207	Nat. Steel.	124	124
Block Rock	354	354	Hoult	207	207	Nat. Steel.	124	124
Blue Bell	214	214	Hoult	207	207	Nat. Steel.	124	124
Boeing	224	224	Hoult	207	207	Nat. Steel.	124	124
Borg & Dearborn	154	154	Hoult	207	207	Nat. Steel.	124	124
Borden	314	314	Hoult	207	207	Nat. Steel.	124	124
Borg Warner	154	154	Hoult	207	207	Nat. Steel.	124	124
Braniff Int'l	204	204	Hoult	207	207	Nat. Steel.	124	124
Bristol-Myers	514	514						

LONDON STOCK EXCHANGE

Gilts revive and equity leaders stage useful rally Share index up 5.4 at 556.8—Gold shares better

Account Dealing Dates
Option
First Declarer Last Account
Dealsings Day
Mar 1 Mar 11 Mar 22
Mar 13 Mar 25 Mar 26 Apr 5
Mar 29 Apr 13 Apr 16 Apr 26
" New time " dealings may place from 9.30 am two business days earlier.

A decidedly better tone developed in London stock markets yesterday. Wednesday's shake-out in leading shares, prompted mainly by the poor annual trading statement from Turner and Newall, appeared to have run its course and conditions brightened noticeably. British Funds reflected revised confidence about interest rates, while South African gold shares rallied in line with yesterday's pick-up in the bullion price.

The level of trade in the equity sectors was disappointing. Encouraged by the lack of any fresh selling, however, the leaders gradually edged higher.

Satisfactory preliminary results from GKN, Kevex, marred only by the chairman's cautious remarks about the trading outlook, also helped sentiment.

Measuring the improvement, the FT 30-share index closed 5.4 up at the day's best of 556.5.

Among the index constituents, Dunlop, up 4 at 76p, encountered useful buying interest. Turner and Newall, in contrast,

remained depressed and fell 4 for a two-day drop of 21 to 73p.

Gains in South African gold shares stretched to a point and mainly reflected bear covering from the U.S. The gold mines

index advanced 13.4 to 233.0. Encouraged by the concerted interest rate cuts in Germany, Switzerland and Holland, Gilts edged took a turn for the better yesterday. Mediums and longs edged higher in thin trading to close with gains ranging to 1. While rises in the shorts extended to 1. Index-linked stocks tended to be left out of the picture, but held relatively steady after the recent downturn. The 2.30 pm announcement of the mid-February money supply figures had no apparent impact on sentiment.

Amersham, which staged a highly successful debut three weeks ago, encountered late support and rose 5 to 158p compared with the issue price of 142p.

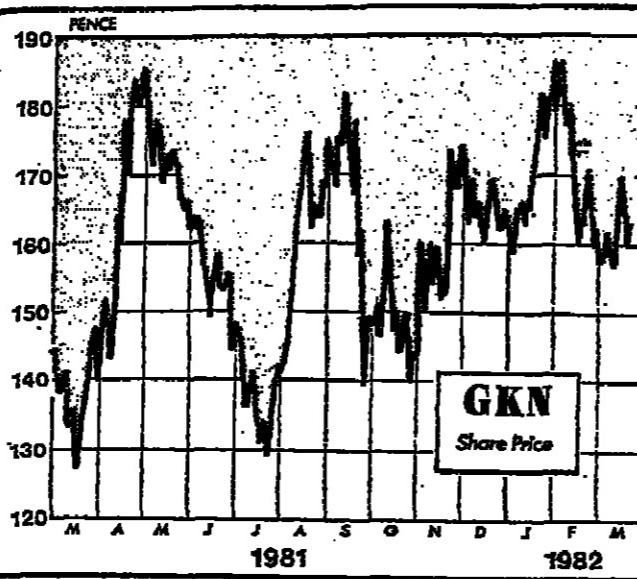
Midland better

A friendlier market since last week's Budget on increased taxation worries, the major clearing banks perked up a little in quiet trading yesterday. Midland, which concludes the dividend season today, featured with a rally of 5 to 336p. Barclays hardened 5 to 150p and NatWest 42p, while the former's 42p. The First Direct Development Bank touched 524p before closing a net 51p better at 533p.

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Gains in South African gold shares stretched to a point and mainly reflected bear covering from the U.S. The gold mines



fall 5 to 80p and Bank of Ireland 10 to 20p.

Sedgwick, Forber improved to 155p on the satisfactory results despite that a fund-raising call did not accompany them before raising on profit-taking to finish unchanged on the day at 150p. Other Lloyds Brokers, still the previous day on currency considerations, rallied but closed below the day's best.

Leading Buildings regained a certain amount of composure after the previous day's shake-out. Barratt Developments, a dull market since Monday's interim results, rallied 6 to 365p, after 265p, while George Wimpey hardened a couple of pence to 105p. Renewed support was forthcoming for Redland which hardened 4 to 182p, while London Brick improved a penny to 86p; last year, the latter's annual results were announced on April 8. Outside the leaders, Wiggins Group, good of late on vague big rumours, met sellers and shed 4 to 105p, while Brown and Jacksons gave up 3 to 20p on lack of interest. Sharpe and Fisher cheapened a couple of pence to 40p on disappointment with the preliminary results.

After opening a couple of pence higher at 326p, ICI drifted off and closed that much cheaper on balance at 322p. Croda International, which recently fought off a 70p per share bid from Burslem Oil, hardened a penny to 77p, but Yorkshire Chemicals, annual results due towards the end of the month, eased that much to 40p.

Stores idle

Lack of investment incentive prompted another subdued session in Stores. The leaders finished a shade firmer for choice, with Marks and Spencer up 4 at 146p. House of Fraser gained the turn to 59p following the interim results.

Small investment buying helped the Electrical majors to recover some lost ground. GEC closed 10 down at 80p, after 82p, while Plessey, with the help of Press comment, gained 6 at 275p. Ahead of next Wednesday's preliminary results, BICC firmed 5 to 330p, after 333p. Similar improvements were seen

Sale Tiltney lost 11 to 212p on the cautious statement which accompanied the results and Business Computers declined 3 to 80p after uninspiring trading news. Having risen 22 on Wednesday on ICI's acquisition in the market of around 10 per cent of the shares at 150p, Arthur Hoskyns slipped 4 to 176p after ICI had added a further 4.9 per cent to its holding and then withdrew. P. Austin (Leyton) was active and closed a fraction cheaper at 30p, after 2p. Copydex lost 4 to 45p in the absence of bid developments. Thomas Tilling rose 5 to 156p on further consideration of the results and Steelley gained a similar amount to 151p with the annual profits proving higher than expected.

The acquisition of Smiths Happiway Spencers for around £1m prompted support for Associated Leisure, which

jumped 11 to 100p. Elsewhere in the Leisure sector, renewed support lifted Pleasureama 10 to 445p.

Motor Components

Dunlop which rose 4 to 76p on continued recovery hopes; the annual results are due next month.

Supra added a penny to 53p following the increased full-year profits and 10 per cent scrip-issue.

Publishers featured Liverpool

Daily Post and Echo which touched 165p before settling for a net gain of 3 at 160p following the more-than-doubled preliminary earnings.

William Collins, still on the annual figures, added 3 more to 243p.

George Green's, a dull market earlier in the week after the press comment, rallied 8 to 158p, while Muller and Allen, interests

results due today, fell to 515p but recovered during the afternoon to close 5p dearer on balances at 525p. Capses were marked 5 higher at 50p to match the price paid by Sonoco UK for Cope Allman's 52.2 per cent stake; Sonoco is to offer the same price to outstanding shareholders.

Oils quietly firm

Quietly firm conditions prevailed in Oils awaiting the outcome of the Opec meeting taking place today in Vienna. British Petroleum closed without alteration at 280p, after 282p, while Shell hardened a couple of pence to 35p. Elsewhere, KCA

International improved 2 to 88p. Mary Firth

lacked support and dropped 10 for a two-day loss of 18 to 55p, while among Transatlantic issues, Gulfstream Resources relinquished 13 to 56p

and Flair Resources shed 17 to 100p after 85p.

Money brokers continued to drift to lower levels. Exco gave up 3 more to 265p, while Mercantile House, eased 5 at 420p. Elsewhere in Financials, however, perked up but the volume of business was extremely small. Glaxo gained 8 to 510p and Rank Organisation, following the annual meeting, improved 4 to 186p. Elsewhere,

Shippings hardened. P and O Deferred added a penny to 125p, while Ocean Transport, pre-

liminary results expected next Thursday, firmed a similar amount to 126p. James Fisher rose 5 to 163p following the full-year figures.

Further consideration of the respective preliminary statements lifted Corbar 3 to 45p, and Hugh Mackay 2 to 54p. Both attracted early support and touched 410p on thoughts that the proposed offer for Marshall Field could run into legal difficulties; the shares turned easier in the later trading, however, and finished only 3 up on balance at 403p following the announcement that the offer terms may be revised. Dealings in Marshall Field were subsequently suspended on the New York Stock Exchange. Imperial added 21 to 90ip amid rumours that the company is planning to dispose of the troubled poultry division.

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FT SHARE INFORMATION SERVICE

LOANS—Continued

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Balfour Beatty Builds Better
BB 01-686 8700

FINANCIAL TIMES

Friday March 19 1982

BELL'S SCOTCH WHISKY
BELL'S

U.S. rejects Soviet move on arms reduction

BY BRIDGET SLOOM, DEFENCE CORRESPONDENT

The Soviet Union has proposed an arms control agreement which, despite phased reductions in nuclear weapons, would still leave its SS-20 missiles deployed against Western European countries in 1990.

The proposal has been tabled at the Geneva negotiations between the U.S. and the USSR, which opened in November last year. The talks are designed to limit the spread of nuclear weapons in Europe.

The Soviet proposal has been rejected by the U.S., which has

put forward a draft treaty embodying the so-called zero option announced by President Ronald Reagan in November. The U.S. offered to undertake not to deploy its controversial new cruise and Pershing missiles in Europe, in return for the dismantling of the SS-20s.

After four months of talks, which have been veiled in secrecy, the two sides appear far apart as ever. Earlier this week the two delegations in Geneva agreed to a two-month recess. Negotiations will reopen on May 20.

According to sources close to

the U.S. delegation, the essence of the new Soviet proposal is that the independent British and French nuclear forces, and a reduced number of U.S. nuclear-capable aircraft in Europe, will by 1990, balance the 300 SS-20 medium range nuclear missiles which the Soviet Union has deployed east and west of the Urals mountains.

In its new proposal, the Soviet Union has argued that a balance exists between Nato and Soviet nuclear forces in Europe. It maintains that each side has just under 1,000 "nuclear systems." It proposes that these should be reduced in two phases,

leaving each side with 300 systems by 1990.

The U.S. Government backed by the Nato alliance, contests the Soviet notion that a balance of forces exists in Europe.

Nato's decision to deploy 572 Cruise and Pershing missiles from 1983 was designed in part to counter what the Western Alliance sees as the growing imbalance resulting from the SS-20 deployment.

Western sources say Soviet tactics at Geneva are designed to remove the U.S. "nuclear shield" from European countries in Nato, leaving them wide open to Soviet military and political pressure.

Officials are concerned that public opinion in the West should not be misled into believing that President Leonid Brezhnev's latest offer to freeze deployment of SS-20s is either a new or a particularly hopeful move.

Sources close to the Geneva delegations believe that some progress has been made, however. They say both sides seriously want an agreement and point out that four months is too soon to expect an accord to emerge.

U.S. warns on missiles for Cuba, Page 5

Banks increase lending to private sector

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BANK LENDING to the private sector increased by £1.98bn in February compared with an average rise of £1.5bn a month since last August, according to the latest banking statistics issued yesterday. In the first half of last year the average monthly rise was less than £500m.

The high rate of lending to private sector companies and individuals continues to cause concern to the authorities, although the Bank of England pointed out the effect of the tax-

MONEY SUPPLY	
annual percentage increase	(to February 1982)
M1	8.7
Sterling M3	14.4
PSL1	13.7
PSL2	12.1

paying season on the total.

The extent to which companies have been increasing borrowing to pay back taxes,

including the taxes held up by last year's civil servants strike, is not known.

During the banking month of February sterling M3, the broad definition of money supply, remained almost unchanged. After seasonal adjustment the annual rate of growth was reduced to 14.4 per cent. As the Chancellor admitted at the time of the Budget, however, there is no prospect that the growth of this aggregate will be within the Government's target range of 6 to 10 per cent for the year

to April.

The Treasury says that the growth of sterling M3 has over-emphasised the true state of the money supply during the year. The figures also show that the non-banking sector bought £1.9bn of Government debt during the month. Of this total gilt edged stocks accounted for £370m, National Savings £340m and Certificates of Tax Deposit £490m.

There was a net outflow of foreign currency of £160m in the month.

Tory rebels vote against Government on benefits

By Elinor Goodman

THE POST BUDGET truce in the Conservative Party over the handling of the economy was broken last night when at least 17 Tory MPs refused to support the Government over its plans for short-term social security benefits. Thirteen backbenchers voted with the Opposition, while at least four deliberately abstained.

The vote was over the Government's refusal to restore the 5 per cent cut in the value of short-term benefits, like unemployment pay, made two years ago as an alternative to tax cuts.

An Opposition amendment was defeated by 148 votes to 118, giving the Government a majority of 30. But the rebellion was a major blow to its hopes of presenting a united party to the voters of Glasgow Hillhead, which goes to the polls in six days time. It could force the Government to reconsider the issue.

The rebels were led into the lobby by Sir Ian Gilmore, the former Lord Privy Seal, and included the former junior Employment Minister, Mr Jim Lester.

Short-term benefits will start being taxed this July, and Labour, backed by the rebel Tories, argued that the Government had given a clear impression to the House when the original 5 per cent cut was introduced two years ago that it would be restored once this happened.

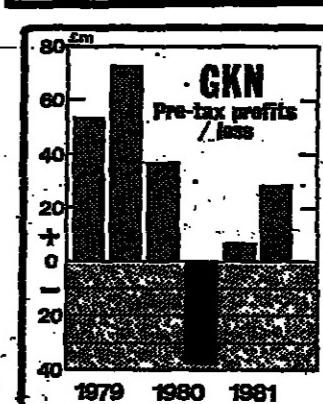
ACC directors held a board meeting yesterday to consider a profit forecast for ACC's financial year which ends this month. Losses are expected to be running at more than £30m. ACC last year recorded a profit of £2.6m.

Mr Gill's compensation package includes the option to purchase a £275,000 house at £10,000 below market value, and interest payments of 6.25 per cent a year per annum on the £560,000 payment until it is completed.

Tory revolt, and walkabout Health pills in the crowds, Page 10

THE LEX COLUMN End of the line for Stone-Platt

Index rose 5.4 to 556.8



behind it. GKN's trading profits doubled between the two half years and, for the full 12 months, the group has turned a pre-tax loss of £12m into a profit of £34.6m.

The real bounce has come from the UK, where roughly £140m of annual wage costs have been eliminated over the past two years. After a pre-tax loss of about £10m during the first six months, the UK was probably just above break-even in the latter part of the year.

The surgery is not over yet but this year's reorganisation will consist largely of divestments, so future write-offs should mostly end up below the line. The UK will again contribute most of the improvement, unless the US economy shows a miraculous upturn. At present, the recession in Michigan is keeping the new joint plants just the wrong side of break-even and GKN cannot again count on translation gains, which added close to £3m to the pre-tax level last year.

On sales of almost £2bn, it is fairly futile to predict what GKN will make this year. The real issue is in any case not profits, but cash. The group will have to work very hard to dispel the idea that a rights issue is just around the corner once demand revives.

The outcome is highly embarrassing for Equity Capital for Industry, which seems to live on the wrong side of the risk/reward ratio, as well as for Midland, Bank, lead bank to both Stone-Platt and Laker, and due to report 1981 figures today. The banks together may end up losing roughly £15m.

Hindsight will not help Stone-Platt, but it suggests a general lesson. From the vantage point of 1982 it appears that the only way to have saved the company would have been complete and immediate withdrawal from textile machinery at the beginning of 1980. This course of action — which would have required new capital then — was turned down on the grounds that it would have been wrong to abandon the core business, the traditional centre of the group. But to sell off strong businesses such as the pump division to support the Lancashire mills was ultimately suicidal.

All in all, there seems little chance that GKN will improve greatly on last year's gearing. With a capital spending budget of between £280m and £300m in the current year, shareholders must count on some cash raising exercise before long. The shares offer a large unearned yield of only 7.2 per cent on last night's price of 163p, and some may decide not to wait around.

Gill threatens ACC directors with legal action over pay-off

BY JOHN MOORE, CITY CORRESPONDENT

Companies and council consider aid for Brixton

By Lisa Wood

SEVERAL large companies, including Marks and Spencer and Boots, have joined Lambeth Council in south London, and some financial institutions to try to launch a major initiative in one of Britain's most depressed inner city areas.

The initiative, to be launched in Brixton, will be the first attempt to co-ordinate efforts aimed at tackling inner city problems by the local authority, local organisations and the private sector.

It follows the increasing concern about conditions in the inner cities aroused by last year's riots, and is the outcome of a series of meetings including discussions between Lord Bellwin, Parliamentary Under-Secretary at the Environment Department, and Mr Ted Knight, leader of Lambeth Council.

In Liverpool, where serious disturbances also took place, a team of Government and business representatives was set up. Called the Liverpool Task Force, it is examining Government spending in the area. At the same time, there has been a growth in local enterprise agencies in which businesses help promote the creation of small companies. But neither of these initiatives bring the three elements together like the planned Brixton move, though the Government is expected this summer to announce a scheme linking public sector and private money to fund inner city developments.

Those involved in the Brixton initiative — to be called Brixton United — were anxious yesterday to emphasise that the project was still at a very early stage. The terms of reference for the joint task force have not yet been drawn up, and there is also concern that the local community is fully involved.

A major partner in the project is the London Enterprise Agency, set up four years ago by nine big industrial and financial groups to aid small companies in the capital.

The Enterprise Agency said that it was hoped Brixton United would act as a catalyst, putting commercial ventures together and then attracting funding.

GKN returns to profit

Continued from Page 1

The UK workforce at the end of 1981 was 42,000. About 4,000 also left the GKN workforce last year with the formation of Allied Steel and Wire by GKN and the British Steel Corporation.

Speaking in London yesterday, Sir Trevor Holdsworth, GKN chairman, did not rule out further redundancies in the current year, 303 have already

been provided for. He did not envisage their being on the scale of the past two years, however, but forecast that there would be continued restructuring, mainly as a result of disposals of interests peripheral to GKN's mainstream activities.

Although there have been many improvements in UK operating efficiency, Sir Trevor

described the overall result of a £13m trading surplus on a turnover of £1bn as "still unsatisfactory."

The major UK automotive components business is still losing money, while in the US there is uncertainty about the duration of the severe downturn in demand for automotive components from GKN's two new factories.

Stone Platt receiver

Continued from Page 1

They said that from the beginning of this calendar year Stone-Platt's borrowings should have represented no more than 95 per cent of net assets.

Midland Bank is believed to have written off the cost of its support for Stone-Platt as a provision in drawing up its annual results, which the bank reports today. The four clearers are understood to have lost a combined £15m in supporting Stone-Platt.

Equity Capital for Industry, the investment group owned by the banks and the pension funds, echoed the views of all four institutions.

Mr Brian Dean, the investment director, said: "I am shocked and dismayed that the banks should have run away after all the time and effort and money spent in the last two years and when a solution to the group's problems was beginning to emerge."

Mr David Tucker of M and G said the bank's action "must make us much more reluctant ever to do anything like this again."

Stone-Platt's electrical division which makes profits of some £1m annually and has significant contracts for rail and underground systems throughout the world, is already the subject of three bid approaches.

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French franc falls sharply

Continued from Page 1

borrowing costs to industry. Although there were no immediate signs yesterday of the banks raising base rates, now 14 per cent, these would have to go up as well if the high cost of money is maintained.

The decision by the West German central bank, the Bundesbank, to lower its special Lombard rate — the rate it charges banks for short-term funds — from 10 per cent to 9.5 per cent was widely anticipated.

The Bundesbank has been keeping German money market interest rates down through open market operations. Improving inflation figures and signs that this year's wage round will result in wage increases below the anticipated rate of inflation, have helped to create

operations earlier in the month, it was pointed out.

The Bundesbank introduced its "special Lombard" rate in February 1981. Its spectacular move to defend the D-Mark on the foreign exchanges has caused the central bank to drop its normal procedure for automatically lending funds to the bank through the Lombard rate (then 9 per cent) and announced a "special Lombard" rate of 12 per cent.

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